Austria ...Sch. 18	Indonesia ...Rp 2500	Portugal ...Esc 90
Bahrain ...Din 0.650	Italy ...L 1200	S. Arabia ...Rs 6.00
Belgium ...BFr.38	Japan ...Y550	Singapore ...S$ 4.10
Canada ...C$2.00	Jordan ...Fils 500	Spain ...Pta 100
Cyprus ...C£0.60	Kuwait ...Fils 500	Sri Lanka ...Rup 30
Denmark ...DKr 7.25	Lebanon ...L 6.00	Sweden ...Skr 6.50
Egypt ...E£1.00	Luxembourg ...LFr 38	Switzerland ...SFr 2.00
Finland ...Fmk 5.50	Malaysia ...Rin 4.25	Taiwan ...NT $65
France ...Fr 6.00	Mexico ...Pes 300	Tunisia ...Din 0.650
Germany ...DM 2.20	Morocco ...Dh 6.00	Turkey ...L 400
Greece ...Dr 60	Netherlands ...Fl 2.50	U.A.E. ...Dh 5.50
Hong Kong ...HK$ 12	Norway ...Nkr 6.00	U.S.A. ...$1.50
India ...Rup. 15	Philippines ...Pes. 20	

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FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,502 Monday December 17 1984 D 8523 B

Falkland Islands: a solution made in Hong Kong, Page 17

NEWS SUMMARY

GENERAL

Aircraft hit two vessels, says Iraq

Iraq said its airforce hit two "naval targets" in the Gulf, one of them "very large" – the term it often uses to refer to oil tankers.

A military communique said the very large target was hit and left in flames south of Iran's Kharg Island oil terminal. A later communique said a second target, described as "small," was destroyed by Iraqi aircraft in the Gulf. Iraq never names vessels it claims to have hit.

Shipping sources in the Gulf could not confirm a new attack on shipping in the area. They had heard no distress calls or other reports of vessels in difficulties.

Israeli crisis

A crisis loomed over the Israeli Government after a junior coalition partner threatened to withdraw. Page 3

Italian director held

The managing director of Italstat, the Italian state construction group, was arrested on fraud charges while in hospital after an operation.

González victory

Prime Minister Felipé González of Spain emerged triumphant at the end of a national congress of his ruling Socialist Party after winning support for his economic policies and decision to keep Spain in Nato.

Page 3

India poll forecast

An opinion poll forecast Prime Minister Rajiv Gandhi's Congress (I) Party would resume power with a landslide victory in India's elections on December 24.

Gdansk demo

Police used smoke canisters and flares to disperse supporters of the banned Polish trade union Solidarity in Gdansk as they tried to march to a monument honouring shipyard workers killed in riots in 1970. Page 3

Karachi clampdown

More than 100 Pakistani political activists went into hiding as troops appeared on Karachi streets to ensure peace during a controversial national referendum on Wednesday.

Islamic protest

Syria and Iran led a move protesting against the presence of an Egyptian delegation at a ministerial meeting of the Islamic Conference Organisation opening in the North Yemen capital tomorrow.

France tightens net

France is increasing naval action against illegal fishing in its waters by Spanish trawlers. It claims to have recorded 1,195 violations by Spanish vessels last year.

Yacht capsizes

The French trimaran Medecins Sans Frontier capsized during the transatlantic Columbus Route race and a U.S. Coast Guard plane saw four of its five crew on the vessel's hull. A Japanese ship was heading for the scene.

U.S. 'missile plan'

The Soviet army newspaper Krasnaya Zvezda said the U.S. planned to deploy Pershing missiles in Pakistan, close to the southern border of the Soviet Union.

Moscow visit

Ethiopian leader Mengistu Haile Mariam arrived in Moscow on a previously unannounced visit, Tass said.

Davis Cup

Sweden took a 2-0 lead over the U.S. in the Davis Cup tennis final in Stockholm. Mats Wilander beat Jimmy Connors 6-1, 6-3, 6-3 and Henrik Sundstrom beat John McEnroe 13-11, 6-4, 6-3.

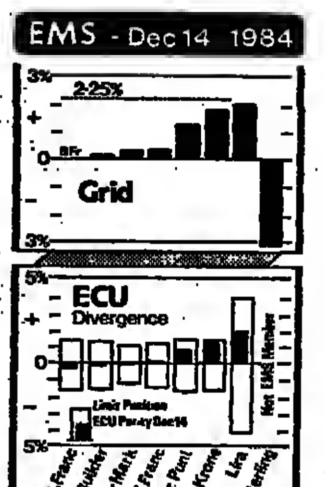
BUSINESS

OECD budget crisis looms

THE ORGANISATION for Economic Co-operation and Development (OECD) is in danger of ending the year without having received approval for its 1985 budget. Page 3

URUGUAY'S leading commercial bank creditors agreed to defer repayment of $120m of debt due in the next six months, to give the new Government time to make a deal with the IMF. Page 2

CURRENCIES traded quietly in the European Monetary System last week as volume declined ahead of



Christmas and the new year. The Belgian franc remained the weakest member but was comfortably placed within its divergence limit and seemed unaffected by recent calls for the abolition of Belgium's two-tier currency system. The D-Mark lost ground against the dollar, with the latter boosted by end-of-year demand. Trading was comparatively thin and sporadic, however, with many commercial banks and institutions having already withdrawn from the market.

The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.

GATT censured the U.S. for acting beyond its powers in forcing Third World countries to renegotiate textile agreements to their detriment. Page 18

WORLD OIL prices are set to continue their steep decline according to a study by British stockbrokers Simon & Coates. Page 7.

DUNLOP of the UK agreed to sell a quarter of its 40 per cent stake in Dunlop India to two Indian businessmen, after months of debate over whether to dispose of all of it. Page 21.

WESTERN UNION'S 8,000 unionised workers are expected to vote this week on a pay concession package which is understood to include a 10 per cent pay cut in return for a possible future equity stake in the financially-troubled U.S. telecommunications group. Page 2.

MGM/UA Entertainment of the U.S. plans to re-acquire the 15 per cent of MGM/UA Home Entertainment group it does not own for $126m. Page 21

ITT, U.S.-based conglomerate, suspended three public relations officials and began investigating claims that insiders leaked adverse information to the press. Page 21

ARMCO, diversified U.S. steel and oilfield equipment group, is close to competing the sale of its domestic and international commercial finance and leasing operations, part of its loss-making financial services division. Page 21

We apologise for any typographical errors in this edition resulting from action by the National Graphical Association and Sogat members in the FT reading room in London.

Gorbachev affirms positive approach to arms talks

BY DAVID BUCHAN IN LONDON

EAST AND West approach next month's re-opening of arms control talks in Geneva "positively and sincerely" Mrs Margaret Thatcher, Britain's Prime Minister, and Mr Mikhail Gorbachev, the ranking No 2 Soviet Politburo member, assured each other in nearly three hours of talks yesterday.

Mr Gorbachev delivered to Mrs Thatcher a personal message from President Konstantin Chernenko which, according to British sources, spelt out what Moscow regards as its "positive attitude" to East-West relations in general and to the forthcoming U.S.-Soviet meeting in Geneva in particular.

Virtually all of the meeting, which followed lunch at Chequers – the British Prime Minister's official country residence – for Mr Gorbachev and his high-powered Soviet parliamentary delegation, was focused on East-West relations and arms control.

British sources stressed, however, that the formal talks between Mrs Thatcher and Sir Geoffrey Howe, the UK Foreign Secretary, and on the Soviet side, Mr Gorbachev, Mr Leonid Zamyatin, the central committee's foreign policy spokesman, and Mr Alexandr Yakovlev, director of the Foreign Affairs Institute at the Moscow Academy of Sciences, were not a bargaining session.

Both sides stated their basic attitudes to arms control and East-West relations, with Mrs Thatcher making a strong pitch on the "sincerity of Britain, Nsto, and not least the U.S. in wanting arms control agreements," according to British sources.

Mr Gorbachev apparently revealed no changes in Soviet arms control thinking, because, as British officials stressed, it was not e negotiating session. President Reagan's anti-satellite weapons and strategic defence "star wars" initiatives, however, which are known to worry the Soviet Union were touched upon, as was the issue of the independent British nuclear deterrent.

The Soviet position is that British and French nuclear weapons should be counted along with U.S. medium-range missiles in Europe in any agreement.

Significantly, Mr Gorbachev paid the first business call of his trip to the London office of John Brown to thank the Scottish-based engineering company for its defiance of attempted U.S. sanctions in 1982 and its delivery of U.S.-designed turbine generators to the controversial trans-Siberian gas pipeline.

After Mr Gorbachev's visit to his company office, Mr Allan Gormly, the John Brown group chairman, quoted the Soviet leader as saying the Russians "were pleased that we had stuck to our contractual obligations."

With UK Government backing, John Brown in line with other companies in France, West Germany and Italy, fulfilled its Soviet pipeline contracts

Pesticides production restarted at Bhopal plant

By John Elliot in New Delhi

PRODUCTION of pesticides at Union Carbide's plant in Bhopal, central India, was successfully restarted yesterday, indicating that the emergency over the lethal gas should be over by Wednesday afternoon.

"Today's experience has shown that the chance of a (new) leak was much less than was thought a week ago," Dr. Srinivasan Varadarajan, director of India's council of scientific and industrial research, who heads the Bhopal emergency team, said.

Since a gas leak at the plant two weeks ago killed more than 2,000 people the city population has been on the verge of panic over the threat from 15 tons of lethal methyl isocyanate (MIC) still stored in underground tanks.

Three tons were safely turned into the company's Sevin pesticide yesterday in what the Indian authorities had dubbed "Operation Faith."

Helicopters and aircraft sprayed neutralising water on the plant and on a protective sackcloth wall built around its perimeter.

The killer gas leaked two weeks earlier while the plant was shut down because of a lack of orders for pesticides. In theory, at least, there was less danger yesterday, when production was in progress, but fear of another accident prompted tens of thousands of the city's 1m population to flee from the inner areas, where 500,000 of them live.

Curiosity overcame fear for several hundred who jostled around the plant gates, able to see nothing of the chemical process, but awed by the latest development in what is believed to be the world's biggest industrial disaster. There were over 5,000 gas masks ready for emergencies.

Police forced back the crowd, including demonstrators shouting "Down with Reagan and the CIA," when they moved too close to the factory gate.

Politicians, seeking votes for next week's general election, got into the act. The start of the operation was delayed until the arrival of Mr Arjun Singh, Chief Minister of Madhya Pradesh state, whose political future hangs in the balance.

Mr Singh said he would remain in the plant until the neutralisation of the MIC had been completed.

The biggest risk yesterday, according to Dr Varadarajan, was when the storage tank was pressurised with nitrogen gas in a 35-minute operation, but that went off without mishap.

Call for tighter controls expected, Page 4

BAT confirms £665m bid for Hambro Life

BY ERIC SHORT IN LONDON

BAT INDUSTRIES, the tobacco-based UK conglomerate, has confirmed its intention to become a force in the financial services market with a £665m ($798m) agreed bid for Hambro Life Assurance, Britain's largest unit linked-life company.

Mr Patrick Sheehy, BAT's chairman said that the group "would move more deeply into financial related services both in the UK and overseas" and that the proposed acquisition of Hambro Life "marks the second step in our carefully planned strategy."

It follows its £968m acquisition of the composite insurance group, Eagle Star Holdings, at the beginning of this year.

According to Mr Sheehy, BAT wants to develop "the provision of services to individual consumers as a main thrust of its financial services activities."

BAT is offering 550p each in cash for the 120.7m shares of Hambro Life, with the alternative of short-term loan notes or 12¼ per cent Unsecured Loan Stock 2003/08. Hambro Life's shares were suspended on Thursday at 498p and the company will seek a restoration of its quotation this morning.

The bid is virtually assured of success, with BAT holding or having irrevocable undertakings for 38.5 per cent of Hambro Life's equity.

Charterhouse J. Rothschild, the merchant banking group which failed in an attempt earlier this year to merge with Hambro Life, has sold 19m of its shares and pledged the remaining 11m of its 24.8 per cent holding, providing it with a £40m profit on the deal.

Guardian Royal Exchange has sold its 10.2 per cent stake held by its life fund, taking the Unsecured Loan Stock option for tax reasons and thus securing a £27m profit on its outlay of two years ago.

Hambro Life has made itself a force in the life and individual pensions field in just over a decade since its launch in 1971. It has concentrated almost exclusively on selling life and individual pension contracts based on unit trusts and other unitised funds through its 3,000-strong sales force.

BAT has secured not only the services of Mr Mark Weinberg, who built up the company, with a five-year contract, but the rest of the successful management team: Mr Syd Lipworth, his deputy Mr Joel Joffe, Mr Mike Wilson and Mr Sandy Leitch; on three-year contracts. Mr Weinberg and Mr Lipworth join the main BAT board.

The combination of Hambro Life with the life and pensions operation of Eagle Star will produce a new entrant in the top five UK life groups. Hambro Life is a dominant force in the linked life market and has an embryo financial services operation. Its unit trust subsidiary, Allied Hambro, is prominent in the unit trust field, while its subsidiary, Dunbar, provides a banking operation.

Eagle Star is important in the fields of company pension schemes and associated pension investment management services. Its other main pillar is the endowment mortgage business generated by strong building society contacts. Eagle Star's general insurance operations include a big motor insurance portfolio and a thriving house insurance operation.

BAT is forming an operating group, BAT Financial Services, which will hold the shares of Eagle Star and Hambro Life. The two companies will each continue to operate independently, however, with a separate identity under their own managements. Mr Sheehy said: "I am not so keen on a great integrated affair."

Mr Weinberg regards joining BAT as the "perfect solution" to the uncertainty facing the company's future. As long as there was a quarter of the company's equity on the

Continued on Page 18

The dilemmas that lie ahead, Page 17

Mitterrand warns U.S. over 'star wars' system

By David Marsh in Paris

PRESIDENT François Mitterrand of France last night spoke out against the military use of space, declaring that U.S. ideas for a "star wars" defence system against Soviet nuclear missiles amounted to "over-armament."

The president's warning was intended to restate France's strong views over President Ronald Reagan's space initiative, ahead of next month's resumption of disarmament talks between Mr George Schultz, the U.S. Secretary of State and Mr Andrei Gromyko, the Soviet Foreign Minister.

French ministers have been campaign against "star wars" proposals for several months, above all because they could endanger the credibility of France's relatively small nuclear strike force.

This is the first time, however, that the president has publicly voiced such strong opposition.

He repeated his suggestion made in a speech in the Hague earlier this year, that Europe should eventually launch its own manned space station, but said it would be for observation only.

In an hour-long television interview covering the whole gambit of French foreign policy, M Mitterrand also warned Col Muammer Gadaffi, the Libyan leader, about encroaching into southern Chad. He acknowledged, however, that French soldiers would not attempt to drive out Libyans still occupying parts of the north of the country, in contradiction of a troop disengagement accord worked out between Paris and Tripoli in September.

On EEC matters M Mitterrand urged efforts to boost the Community's political unity and came out strongly in favour of the accession of Spain and Portugal in January 1986.

Although he recognised that managing the Community would become more difficult as it grew larger, he said membership by the

Continued on Page 18

Reagan faces rebellion over defence cuts

BY REGINALD DALE, U.S. EDITOR, IN WASHINGTON

PRESIDENT Ronald Reagan appears to be on a collision course with Congress and most of his staunchest Republican allies, because of his refusal to make big defence cuts to help to reduce the U.S. budget deficit.

Many of Mr Reagan's congressional supporters have warned him that his stand will make it impossible to reach his goal of halving the deficit to about $100bn in the fiscal year 1988 without raising taxes.

In the lengthy budget negotiations due to continue this week Mr Reagan is nevertheless once again siding with Mr Caspar Weinberger, the Defence Secretary. Mr Weinberger has come only a short way to meet the demands of Mr David Stockman, the budget director, and other senior Cabinet members, that he accept substantial defence reductions.

Mr Stockman has called for cuts in projected defence spending of $8bn in fiscal 1986, which begins next October, $20bn in fiscal 1987 and $30bn in fiscal 1988. Mr Weinberger has responded with a "final offer" of $6bn next year, $7bn in 1987 and $8bn in 1988.

The gap is far wider over spending authorisations, which included sums earmarked for future years, and which Mr Stockman wants to slash by a total of $121bn over the next three budget years.

In recent days, Cabinet members such as Mr Donald Regan, the Treasury Secretary, Mr Georg Shultz, the Secretary of State, and Mr Malcolm Baldrige, the Commerce Secretary, as well as all the most important Republican leaders on Capitol Hill, have warned Mr Reagan that be will have to make substantial defence cuts if he is to have any hope of getting sharp and unpopular domestic spending cuts through Congress.

Leading congressional Republicans have told him that the consensus that backed his original military build-up in 1981 has fundamentally shifted and now favours a slowdown in defence spending.

The consensus now, they say, is for an annual 3 to 4 per cent real increase in the defence budget, against the average 9 per cent a year won by the Pentagon in Mr Reagan's first term in the White House.

Mr Reagan, however, is reported to be adamant that defence spending should continue to rise at nearly the same rapid rate as it has in the past four years. Throughout his presidency so far, Mr Reagan has consistently backed Mr Weinberger in the annual spending battles.

This time, Mr Reagan is also concerned that substantial defence cuts would be interpreted by Moscow as a sign of weakness on the eve of next month's resumption of arms control talks between Mr Shultz and Mr Andrei Gromyko, the Soviet Foreign Minister, in Geneva.

At the weekend, however, Senator Robert Dole, the new Senate Republican majority leader, said that he is to see Mr Weinberger this week to "tell him flat out that he does not have any votes."

"The world isn't going to come to an end, we're not going to collapse if we take some more out of defence," Mr Dole said.

Other traditionally pro-defence Republicans are drumming home the same message. Mr Trent Lott, an up-and-coming right-wing Republican congressman from Mississippi says quite simply that the "numbers from defence are not enough."

Mr Dick Cheney, of Wyoming,

Continued on Page 18

UK manufacturers see no sign of recession as orders improve

BY MAX WILKINSON, ECONOMICS CORRESPONDENT, IN LONDON

BRITISH INDUSTRY'S orders books have improved significantly since the early autumn and manufacturers see no indication of a fall in demand before next spring, according to the latest survey by the Confederation of British Industry, the employers' organisation.

The December industrial trends inquiry will be welcomed in London as confirmation of the Government's view that the economy will continue to grow at a fairly steady pace next year.

Mr David Wigglesworth, chairman of the CBI's economic situation committee, said: "Output appears to have stabilised at the fairly steady increase seen over the past few months, although growth is likely to be rather slower than in the earlier part of the year."

The survey of 1,544 companies showed that order books had improved significantly since the early autumn and that prospects for output had also recovered after some falling off in the previous three months (September to November).

It also indicated that export order books had become fatter than they were in the late summer and autumn.

The CBI says it expects growth to continue at about the same rate during the next four months as in the summer. It also points out, however, that recent revisions to official statistics for manufacturing production have given a better picture for the earlier part of the year than they showed initially.

For much of this year the CBI's surveys have been consistently more optimistic about the state of manufacturing industry than official data.

Many economists, including those at the Treasury, were inclined to give more weight to the CBI's surveys than to figures from the Central Statistical Office.

The CBI comments: "The revisions show that the capital goods sector has been recovering, as the CBI predicted, and that this sector should achieve relatively higher growth than the consumer and intermediate goods sectors."

The December survey did suggest, however, that inflationary pressure may be building up. The proportion of companies expecting to increase their prices in the next four months rose in December to a balance of 39 per cent.

That balance (the percentage expecting a rise minus the percentage expecting a fall) compares with only 21 per cent in June, but is still below the January figure of 45 per cent.

On orders, the balance reporting below normal order books was 9 per cent, a significant improvement compared with the October figure of 17 per cent and about the same as the replies in the late spring and summer.

Replies on export order books showed a similar pattern, with a balance of 7 per cent reporting orders as below normal.

CONTENTS

Thatcher leaves for round the world trip

By Margaret van Hattem

MRS MARGARET THATCHER, accompanied by Sir Geoffrey Howe, the Foreign Secretary, leaves Britain this afternoon for a six-day round the world trip which includes visits to Peking, Hong Kong and the U.S.

The party will arrive in Peking on Tuesday night. The following day Mrs Thatcher will sign the agreement under which the sovereignty of Hong Kong will revert to China on July 1, 1997.

Mrs Thatcher will meet Deng Xiaoping, Premier Zhao Ziyang and other Chinese leaders for talks on East-West relations and trade, in particular the Guang Dong nuclear project, in which negotiations for British involvement are well under way.

In an interview with the New China News Agency, published yesterday, Mrs Thatcher said Britain was also anxious to discuss the steps necessary to enable Hong Kong to continue its role in international forums such as the General Agreement on Tariffs and Trade and the Multi-Fibre Arrangement.

In Hong Kong on Thursday, Mrs Thatcher will address a joint session of the colony's executive and legislative councils and will hold a press conference on Friday before flying, via Guam and Honolulu, to the U.S.

After breakfast on Saturday morning with Mr George Bush, the U.S. Vice-President, she will meet President Reagan at Camp David for talks which are expected to centre on arms control and disarmament.

Mrs Thatcher will round off her tour with a Press conference in Washington on Saturday afternoon and will return to Britain — having logged 54 hours' flying time in six days — on Sunday afternoon.

Uruguay creditors defer $120m debt repayment

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

URUGUAY'S leading commercial bank creditors have agreed to defer temporarily repament of some $120m (£100m) in debt falling due during the first half of next year, Citibank announced in New York over the weekend.

The deferral is designed to give the new government of Sr Julio Sanguinetti time to reach agreement with the International Monetary Fund on economic stablisation measures and to negotiate a permanent rescheduling arrangement with commercial bank creditors.

The seven-bank advisory group, chaired by Citibank, which spearheads negotiations with Uruguay, has now telexed all the country's 80 creditor banks inviting them to agree to the temporary deferral.

This should cause few problems since Uruguay has serviced promptly its previous $869m rescheduling package agreed in July last year. It has told its creditor banks it intends to remain current with interest payments as the fall due.

● Colombia has begun informal soundings with a group of 12 leading creditor banks on ways to meet a commercial bank financing requirement expected to total some $700m in 1985.

Bankers say that Colombia, which has a total debt of some $11bn and gross reserves of $1.5bn, still wants to avoid a formal rescheduling, but needs a co-ordinated approach to the raising of new money because of the generally poor climate for Latin American loans.

"Their problem is that they live in a good house in a bad neighbourhood," said one banker who attended talks with top Finance Ministry and Central Bank officials in New York.

The 12 banks at these talks were selected because of the size of their existing loan commitments to Colombia and comprise: Bank of America, Bank of Tokyo, Bankers Trust, Barclays, Banque Paribas, Chase Manhattan, Chemical, Citibank, Industrial Bank of Japan, Manufacturers Hannver, Midland, and Royal Bank of Canada.

The group is expected to meet again in late January at talks also to be attended by the IMF and the World Bank.

Colombia has proposed that the World Bank should play an enhanced economic monitoring role, linking disbursements of fresh money loans from banks to progress with World Bank projects in the coal and oil sectors.

This type of economic monitoring is normally left to the IMF, but Colombia is not seeking any IMF loans and relies heavily on World Bank finance.

New money loans from banks next year would be designed to finance energy-sector projects, particularly in the coal sector which has large export potential.

Reuter reports from Quito: The steering committee of Ecuador's creditor banks has agreed to reschedule about $4.3bn of public sector foreign debt and to provide more than $1bn in fresh finance, President Leon Febres Cordero said.

A team of Ecuadorean negotiators ended talks in New York on Friday with the committee representing the country's nearly 400 creditor banks.

"The committee . . . . has formally accepted our request to refinance part of the Government's public debt," Sr Febres Cordero said.

The banks also agreed to disburse $350m in new finances and to open a credit line for $700m to reactivate foreign trade.

The $4.3bn, originally maturing over the next five years, have been restructured over 12 years with three years' grace at a saving for the country of nearly $150m in service payments, Sr Febres Cordero added.

Government officials said the Ecuadorean team would stay in the U.S. this week for talks with the IMF on a $170m standby arrangement.

Canute James reports from Kingston: The International Monetary Fund has granted Jamaica a waiver of performance criteria which the island's economy has failed to meet.

Under a current agreement which gives the island access to a package of $143m in IMF credits, the external arrears should have been $76m at the end of September. They were $74.6m.

The waiver will allow Jamaica access to delayed tranches.

New Belize PM seeks investors

BELIZE CITY—Belize's Prime Minister-elect, Mr Manuel Esquivel, has pledged to open his sparsely-populated country to foreign investors and has called for closer economic ties with the U.S.

"We will pursue a very aggressive policy of seeking foreign investment," Mr. Esquivel told his first press conference since his conservative United Democratic Party (UDP) won a landslide victory in elections here on Friday—the first since Belize became independent from Britain in 1981.

Taking 21 of 28 seats in the Belize legislature, the UDP inflicted a crushing defeat on the People's United Party (PUP) of Prime Minister George Price, who had dominated Belizean political life for more than 30 years.

Many Belizeans saw the poll as a contest of personalities rather than issues. Mr Esquivel, 44, made clear he had no intention of introducing profound changes that would alter the status of Belize as a haven of stability in turbulent Central America—despite a claim on its territory by neighbouring Guatemala.

After the former colony of British Honduras became independent on September 21, 1981, Britain left a 1,800-strong military garrison in Belize to deter Guatemala's military rulers from sending troops across the border to enforce the century-old claim.

Nothing obviates the need for the British military garrison, Mr Esquivel said. "We will do everything in our power to make sure it stays."

UPU leaders have suggested that Mr Esquivel, a former physics teacher, in planning to tie his country more closely to the U.S., risks being sucked into the conflicts of Central America.

But Mr Esquivel stressed that he saw Belize's relationship with the U.S. chiefly in economic terms.

"The thrust of our philosophy has been the need for (foreign) investment," he said. "How our relations with the U.S. develop will depend largely on the possibilities of investment . . . I see the relationship as fundamentally economic."

With only 150,000 inhabitants scattered over an area roughly the size of El Salvador (population 5m), Belize has considerable potential for the development of agriculture, fishing, tourism and light industry, Western economists say.

The U.S. Ambassador, Mr Malcolm Barnebey, recently described the investment climate in Belize as "excellent." There are many opportunities for successful private investment in this country," he declared.

Reuter

Western Union set to vote on pay cut

BY PAUL TAYLOR IN NEW YORK

WESTERN UNION'S 8,000 unionised workers are expected to vote early this week on a pay concession package understood to call for a 10 per cent pay cut in return for the possibility of an equity stake in the group at some future date.

Western Union's 6,000 non-union employees have already taken a 10 per cent pay cut in an effort to bolster the financial strength ofthe company which has recently reported a $15.5m (£12.9m) third-quarter loss.

Last month, a group of banks decided to cancel a $100m credit line to the company.

The planned wage-cutting agreement with the company's two unions, the United Telegraph Workers and the Communications Workers of America, comes after three weeks of negotiations.

If approved, it would save the company about $35m over the next six months before the current wage contract expires. The deal is due to be sent to workers for approval early this week.

Meanwhile, Western Union is reported to have agreed to the basic principle of allowing the workers some equity stake in the group. Separate negotiations on that aspect of the deal are due to start shortly.

The unions are believed to be seeking a minority stake together with greater participation in the management of Western Union, perhaps including at least one board seat.

Western Union's recent problems reflect fierce competition in many of its traditional businesses, coupled with the huge costs of setting up and promoting its Easylink electronic mail service which provides computer-to-computer message delivery.

Western Union's new chairman, Mr Ronald Berner, who replaced Mr Robert Flanagan in late August, has said Western Union remains committed to Easylink on which the company is betting its future.

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OVERSEAS NEWS

W. German stand on funds poses threat to OECD budget

BY DAVID HOUSEGO IN PARIS

THE ORGANISATION for Economic Co-operation and Development (OECD) is in danger of ending the year without having received approval for its 1985 budget.

All but one of the 24 member states have agreed to a FFr 787m ($83m) budget for 1985, representing an increase of 0.14 per cent in real terms. West Germany, however, has declined to accept this and is sticking to a zero growth target, as compared with 1984. M Jean Claude Paye, the new secretary-general, had originally sought a 1 per cent increase in constant terms.

The budget has been under discussion for six weeks and a further meeting of member states is to be held before Christmas in an effort to break the deadlock.

The U.S. and Britain, often the sternest advocates of budget pruning in international organisations, have apparently been prepared to go beyond the 0.14 per cent figure.

West Germany's intransigence has irritated several other countries. The West Germans want to see further cuts in the allocations made by the OECD to the Mediterranean countries – Greece, Turkey, Yugoslavia and Portugal – to help them improve public service management.

They want to prune further the secondment system that allows young trainees from member countries to gain experience of the OECD by working short periods in the organisation. West Germany would also like the organisation to cut down on the number of outside consultants it employs.

In the eyes of many members, the farming out of research studies to consultants gives the OECD more flexibility by reducing the demands for permanent staff.

The debate over the budget thus cuts across the more fundamental debate taking place in the OECD, over its future role. The U.S. in particular would like the organisation to concentrate more on structural adjustment issues such as the flexibility of labour and capital markets than on short-term macroeconomic policy issues.

Greek public sector 'can expect 2% income boost'

BY ANDRIANA IERODIACONOU IN ATHENS

MOST GREEK public sector workers can expect an increase in real income of more than 2 per cent in 1985 through the continued linking of wages to inflation, and tax breaks, Mr Gerassimos Arsenis, Economy and Finance Minister, said while unveiling the Socialist Government's incomes policy for next year.

Mr Arsenis said the Government had also recommended the index linking of wages in the private sector. The Socialists introduced indexation in the public sector when they came to power in 1981 but have resisted union demands for a law making this obligatory in the private sector.

The Government expects the consumer price index to rise by 16 per cent in 1985.

Greece had chosen not to follow European Commission recommendations for tighter wage policies in the EEC, but "to maintain the competitiveness of Greek products through other macroeconomic measures, while preserving incomes," the minister said.

BASE LENDING RATES

A.B.N. Bank	9½%	■ Hill Samuel §	9½%
Allied Irish Bank	9½%	C. Hoare & Co. †	9½%
Amro Bank	9½%	Hong Kong & Shanghai	9½%
Henry Ansbacher	9½%	Johnson Matthey Bkrs.	9½%
Armco Trust Ltd.	10½%	Knowsley & Co. Ltd.	10½%
Associates Cap. Corp.	9½%	Lloyds Bank	9½%
Banco de Bilbao	9½%	Mallinhall Limited	10 %
Bank Hapoalim	9½%	Edward Manson & Co.	10½%
BCCI	9½%	Meghraj and Sons Ltd.	9¾%
Bank of Ireland	9½%	Midland Bank	9½%
Bank of Cyprus	9½%	■ Morgan Grenfell	9½%
Bank of India	9½%	National Bk. of Kuwait	9½%
Bank of Scotland	9½%	National Girobank	9½%
Banque Belge Ltd.	9½%	National Westminster	9½%
Barclays Bank	9½%	Norwich Gen. Tst.	9½%
Beneficial Trust Ltd.	10½%	People's Tst. & Sv. Ltd.	10½%
Brit. Bank of Mid. East	9½%	R. Raphael & Sons	9½%
■ Brown Shipley	9½%	P. S. Refson	9½%
CL Bank Nederland	9½%	Roxburghe Guarantee	10 %
Canada Perm'nt Trust	9½%	Royal Bk. of Scotland	9½%
Cayzer Ltd.	9½%	Royal Trust Co. Canada	9½%
Cedar Holdings	11 %	■ J Henry Schroder Wagg	9½%
■ Charterhouse Japhet	9½%	Standard Chartered ‖	9½%
Choulartons	11 %	Trade Dev. Bank	9½%
Citibank NA	9½%	TCB	9½%
Citibank Savings ¶	10½%	Trustee Savings Bank	9½%
Clydesdale Bank	9½%	United Bank of Kuwait	9½%
C. E. Coates & Co. Ltd.	10½%	United Mizrahi Bank	9½%
Comm. Bk. N. East	9½%	Westpac Banking Corp.	9½%
Consolidated Credits	9¾%	Whiteaway Laidlaw	10 %
Co-operative Bank *	9½%	Williams & Glyn's	9½%
The Cyprus Popular Bk.	9½%	Wintrust Secs. Ltd.	9¾%
Dunbar & Co. Ltd.	9½%	Yorkshire Bank	9½%
Duncan Lawrie	9¾%		
E. T. Trust	10 %		
Exeter Trust Ltd.	10 %		
First Nat. Fin. Corp.	11 %		
First Nat. Secs. Ltd.	11 %		
■ Robert Fleming & Co.	9½%		
Robert Fraser & Ptns.	10 %		
Grindlays Bank ‡	9½%		
■ Guinness Mahon	9½%		
■ Hambros Bank	9½%		
Heritable & Gen. Trust	9½%		

■ Members of the Accepting Houses Committee.
* 7-day deposits 6.25%. 1 month 7.00%. Fixed rate 12 months £2,500 8.75% £10,000. 12 months 8.00%.
† 7-day deposits on sums of under £10,000 6¾%. £10,000 up to £50,000 7¼%. £50,000 and over 8%.
‡ Call deposits £1,000 and over 6¾%.
‖ 21-day deposits over £1,000 7¼%.
§ Demand deposits 6%.
¶ Mortgage base rate.

Gdansk riot police use force on crowds

By Christopher Bobinski in Warsaw

POLISH RIOT police in the city of Gdansk yesterday used force to disperse a crowd of thousands led by Mr Lech Walesa, the former leader of the now-banned Solidarity trade union movement. The crowd wanted to lay flowers at the Gdansk shipyard martyrs' memorial.

The crowd, estimated at more than 5,000, had earlier attended a Mass at a nearby church marking the anniversary of the deaths of shipyard workers in demonstrations in 1970.

After the service, Mr Walesa, accompanied by other prominent Solidarity leaders including the recently released Mr Bogdan Lis, marched to the monument, only to be halted by a baton-wielding cordon of riot police reinforced with water cannon.

As the police, who also used teargas, swung into the crowd, Mr Walesa, by his own account, told his followers to "lay their flowers at the feet of the peoples' power"—a reference to the police—and turn back.

Meanwhile, the police snatched Mr Andrej Gwiazda, once Mr Walesa's deputy, from the crowd, detaining Mr Grzegorz Palka, a Solidarity leader from Lodz as well.

The clashes lasted a while longer, with some stone-throwing by the crowd, but Mr Walesa reported Gdansk calm if full of police at 2 pm.

The detention of Mr Gwiazda and Mr Palka came on the eve of an official announcement by the U.S. State Department that it was lifting its objections to Polish membership of the International Monetary Fund.

The lifting of the IMF veto by the Americans is thought to have been linked to the completion of the July amnesty which took effect with the release last week of Mr Lis and another prominent detainee, Mr Piotr Mierzewski.

Meanwhile, Mr Lech Walesa, in an interview for the underground Tygodnik Mazowsze, has said he would not join a Catholic Church-linked, legally-recognised trade union movement.

The statement is aimed at those Polish churchmen who are seeking to establish a Christian trade union movement to replace Solidarity, but have said that the idea is only viable if Mr Walesa agrees to head such a movement.

The plans would see the Polish church guaranteeing that such unions would not confront the Communist rulers politically, but would confine themselves to trade union demands and "deepening the Catholic work ethic."

Last year, Bishop Herbert Bednorz of Katowice, a supporter of the scheme, unsuccessfully put it to the vote at a Bishops' conference but the idea has resurfaced this autumn in response to ill-defined hints of encouragement from senior party officials.

The official church position formally presented to the Government is that of support for "union pluralism"—that is, for the right of unions other than those at present recognised, to be formed.

Defection crisis threatens Israeli coalition

BY DAVID LENNON IN TEL AVIV

THE THREATENED defection of a junior coalition partner in Israeli's National Unity Government is posing a crisis even before the government completes its first 100 days in office.

The crisis arose after Mr Shimon Peres, the Prime Minister, failed to persuade the Sephardi Tora Guardians Party (Shas), one of the religious parties in Government, to retract the resignation letter which it submitted to the Cabinet yesterday and which is due to come into effect on Tuesday.

The Likud bloc, which with the Labour Party of Mr Peres forms the backbone of the broad-based coalition, is threatening to break up the government if Shas quits. Shas is a part of the right-wing bloc in the coalition which shares power equally with the centre-left Labour bloc.

The National Unity Government encompasses eight minor Knesset factions in addition to Likud and Labour, who together control over 80 seats in the 120-seat Knesset. The Shas crisis, even if overcome, underlines the fragility of the National Unity Government.

Shas, an ultra orthodox religiou party, is complaining that it had been promised the religious affairs portfolio. But even when it was prepared to settle for the Interior Ministry it found that all the responsibilities for religious matters which were in the purview of that ministry are to be transferred to the Religious Affairs Ministry which is demanded by the National Religious Party, yet another junior coalition party.

The loss of Shas would disturb the balance in the coalition where power is shared equally between the labour and Likud blocs. The Likud fears that if Shas goes it will find itself consistently outvoted in Cabinet and the Knesset.

Mr Peres aroused the ire of many people, especially constitutional experts, on Saturday night by going to talk to Shas's ruling group, the Council of Tora Sages, to try to persuade them to leave the party in government. One of these men is a rabbinical court judge and this is seen as contravening the separation of the executive and judicial arms of the state.

There is still time for Shas to change its mind, especially if the premier gives in to the Shas demand for the appointment of one of its members as Deputy Housing Minister.

Even if Shas does quit the government, there is no certainty that the Likud will resign and thus bring down the Government. It is split on this issue, with Mr Yitzhak Shamir, who is cutting short an overseas trip to deal with the crisis, being in favour of remaining within the coalition.

Kyprianou visits Athens to discuss New York summit

BY ANDRIANA IERODIACONOU IN ATHENS

PRESIDENT Spyros Kyprianou of Cyprus will be arriving in Athens on Wednesday for talks with the Greek Government on next month'a New York summit with Mr Raouf Denktash, the Turkish Cypriot leader, who is now in open disagreement with the Greek Cypriots over the content of the meeting.

Mr Kyprianou agreed last week to meet Mr Denktash face to face on January 17, on the basis of a series of concessions by the Turkish Cypriots on the sharing of constitutional power and territory with the 80 per cent Greek Cypriot majority community in a future federal Cyprus republic.

According to Greek Cypriot and American officials, the breakthrough came after Ankara was advised by the U.S., a vital supplier of military credits and hardware, to work towards easing Greek-Turkish tensions in the North Atlantic Treaty Organisation, which largely derive from the Cyprus problem.

Trouble is now brewing, however, over assertions by Mr Denktash that the purpose of the January summit is the straight approval or rejection of a Cyprus settlement plan. According to Mr Denktash, such a plan is ready, he is ready to accept it, and it therefore remains for Mr Kyprianou to say yes or no.

The Greek Cypriots, by contrast, insist that there is still a lot to be negotiated before reaching a comprehensive settlement.

A key unresolved issue, which is expected to loom large in Mr Kyprianou's talks in Athens this week, is the withdrawal of the Turkish occupation troops which have held about 37 per cent of Cyprus since they invaded the island in 1974 in the wake of a coup engineered by the Greek junta there. The Greek Cypriots want a full military pull-out, on the basis of a specific timetable, to be part and parcel of a Cyprus settlement.

Spanish PM presses his party to back Nato

BY TOM BURNS IN MADRID

SPAIN's Socialist Party bowed to pressure from Prime Minister Sr Felipe Gonzalez and jettisoned its anti-Nato stand yesterday on the closing day of a four-day congress in Madrid

Sr Gonzalez was driven to make impassioned speeches both at closed-door congress committee meetings and at a tense plenary session, in order to defeat a motion calling for the party to campaign actively in a forthcoming referendum for Spain's withdrawal from the Nato alliance.

The motion was defeated by delegates voting 266 in favour, 394 against and 23 abstaining. Nearly 80 delegates were not present at the plenary when the vote was called. In other votes, delegates approved resoultions backing the Government's austere economic policies.

The congress served to underline the ascendancy of Sr Gonzalez and his undisputed role as party leader. His re-election as secretary-General of the Partido Socialista Obrero Espanol (PSOE) was unopposed.

Sr Gonzalez had told parliament in October that he intended to maintain a Socialist Party electoral campaign promise to stage a referendum on the Nato memebreship issue but that he now believed Spain's interests were better served by remaining within the alliance, albeit not within Nato's military command.

That had been the first public admission by the Premier of his changed view of the alliance. Sr Gonzalez, as opposition leader, had campaigned actively against Nato when Spain joined the alliance under the previous Centre-Right administration

The Socialist Party has been staunchly anti-Nato throughout the years and the party congress was viewed as a serious first hurdle for the Prime Minister in his attempt to rally support for his changed views.

Upgrading of Egypt base delayed

By Tony Walker in Cairo

WORK ON upgrading an Egyptian military base at Ras Banas on the Red Sea for possible use by the U.S. Rapid Deployment Force has been delayed indefinitely, following apparent confusion between Cairo and Washington over the extent of U.S. responsibility for developing the base.

Egypt is understood to have informed Washington that work could not proceed under the terms proposed, because it would have meant the presence on the ground at Ras Banas of U.S. personnel for at least several years.

Egypt is highly sensitive to possible charges that co-operation with the U.S. in work at the base wouldhave amounted to an infringement of its sovereignty.

The U.S. Government had approved an expenditure of about $50m (£41.6m) on the base and Egypt was expected to commit about the same amount.

Under U.S. military funding regulations, work would have been carried out, in part, by U.S. sub-contractors to American specifications.

A previous plan, framed during the era of President Anwar Sadat, for the U.S. to spend about $400m up-grading Ras Banas, was shelved because U.S. involvement in developing the base would have seemed too conspicuous.

On the U.S. side, officials are blaming the apparent confusion on a "communication gap" at the technical and political level. The U.S. Army Corps of Engineers recently informed applicants for tender documents of the "indefinite delay."

President Hosni Mubarak of Egypt has sought in recent weeks to dispel suggestions that here is a U.S. presence at Ras Banas.

WORLD TRADE NEWS

Ministers likely to press for tighter curbs on pesticides

BY ANDREW GOWERS IN LONDON

THE INDIAN pesticide disaster is expected to prompt calls for tighter international controls on deadly substances when environment ministers from six of the seven leading industrial nations meet in London today.

The informal meeting, planned at this year's London economic summit, will provide the first opportunity for top-level discussion of issues arising from the tragedy at Union Carbide's plant in Bhopal two weeks ago in which up to 2,500 died.

Officials preparing the meeting said talks were likely to be wide-ranging and could touch on such issues as health, safety and insurance as well as possible tighter controls on the manufacture of dangerous chemicals, both in the Third World and the West.

Although no firm conclusions are likely to be reached today, the disaster, believed to be the world's worst industrial accident, is almost certain to loom large in further ministerial meetings in coming months.

In a preliminary discussion at the Organisation for Economic Cooperation and Development (OECD) last week, one official said there was a feeling that something had to be done. What precise action was needed, however, would not emerge until the causes of the accident became clearer.

Portugal to join code

BY DIANA SMITH IN LISBON

PORTUGAL has stolen a march on neighbouring Spain by gaining approval in Geneva to join the subsidies code of the General Agreement on Tariffs and Trade (Gatt).

Acceptance of Portugal's application to be a signatory to the code was greeted with relief in Lisbon because of fears that the move might be blocked by the U.S. Washington is in dispute with most Third World textile shippers and also has threatened countervailing duties on textile imports from 13 countries, including Spain and Portugal, after complaints by U.S. textile unions and manufacturers' associations.

Portugal's accession to the code was granted recently with the stipulation, pushed by the U.S., that it modify its subsidies to the textile industry to bring it in line with Gatt rules by the end of 1985.

Brazilians hail Washington steel accord

By Andrew Whitley in Rio de Janeiro

BRAZILIAN steelmakers responded warmly over the weekend to the agreement reached on Friday in Washington between the U.S. and Brazil on quota limits covering the next five years' exports of Brazilian steel.

Final details of bow the overall agreement will affect individual product categories were being worked out over the weekend. Signing is expected today or tomorrow, the deadline set by President Ronald Reagan for bilateral quota agreements with steel supplier countries.

Last minute concessions by the U.S. negotiators from the Special Trade Representative's office allowed Brazil to achieve a deal which will actually increase the total volume of its steel entering the U.S. market.

A ceiling of 0.8 per cent of the apparent U.S. market for finished steel—equivalent to approximately 800,000 tonnes—was set. In addition, Brazil has been permitted to export a further 700,000 tonnes a year of semi-finished products.

The total volume of 1.5m tonnes compares with last year's record sales to the U.S. of 1.24m tonnes—nearly all of which was finished product—and the expected 1984 sales of 1.33m tonnes.

James Buxton on the end of the Anglo-Italian wrangle over Scotch

Whisky war ends in apologies

SIG. Filippo Maria Pandolfi is, like most Italians, a man to whom apologising does not come easily. Yet, last week in Brussels, Italy's Agriculture Minister gave Britain a fulsome expression of regret for the way Italy has recently been impeding imports of scotch whisky.

Italy would never do it again, he said, and furthermore government would make amends to some of those who are out of pocket as a result.

What Italy had been doing was impounding a large part of the Christmas whisky imports from Britain at customs posts while officials awaited the results of lengthy laboratory tests aimed at establishing whether or not the bottles really contained whisky.

At the same time the Government allowed in other shipments of whisky, but only on condition that they paid a higher rate of tax than Parliament in Rome had ordained as recently as July.

Altogether, the Italian customs men's action affected, at a critical time of the year, a third of Britain's annual whisky exports to Italy—3m cases worth about £40m. Sharp prices for whisky are about £7.50 a litre.

It was the climax of a battle which has been going on since the 1970s. Like several other EEC countries, Italy has tried to protect its national liquor makers without resorting to crude tariff barriers. Britain, it should be said, until recently, also used taxation levels to favour (mainly domestically manufactured) beer over (mainly imported) wine.

In Italy, whose national product per excellence is wine and whose politicians live in fear of the pervasive wine lobby, it is hardly surprising that a whole array of measures were marshalled to make imported whisky more expensive than its domestic rivals—such brandies as grappa. But it was against the fair trade provisions of the Treaty of Rome.

Britain identified five forms of discrimination from which whisky was suffering at the beginning of this decade. Whisky manufacturers had to pay a higher rate than makers of brandy for the Government seals stuck over the cap of every bottle of spirits sold in Italy. They also had to pay a higher rate of the manufacturing tax on spirits.

On top of that, whisky had to bear an excise tax not applied to brandy, and was subject to value added tax at the luxury product rate—which also meant that Italian companies which gave whisky as Christmas presents could not claim tax relief on it. Italian spirits, on the other hand, not being luxuries, were able to benefit from this tax concession.

Britain's first success in a long-drawn out campaign was in getting the discriminatory extra tax on Government seals removed, and in 1980 the manufacturing tax was equalised. This year the excise tax was finally abolished, as Italy implemented a European Court of Justice ruling made in 1982.

Then in March, Mr Nigel Lawson, the Chancellor of the Exchequer bowed to a judgement of the European Court against Britain and lowered the tax on wine, raised that on beer—and pointedly enjoined Italy to obey a separate judgement of the European Court, which in 1983 ordered Italy to equalise its VAT rates on spirits.

A few weeks later the VAT rate on whisky duly went down from 38 to 30 per cent, and it was ordained that it would drop to 20 perc ent at the beginning of 1986 to be equal with the rate on brandy. British officials congratulated themselves on a war virtually won.

But then came the bitch. A law passed in July provided for a higher rate of manufacturing tax on spirits made from molasses (such as rum) than on other spirits. It shouldn't have affected whisky, but the Italian customs wondered if it could be that whisky was made partly from molasses. After all, they noted, the certificate slated only that it was made from cereals—not that it was made "exclusively" from cereals. To be safe, they decided to find out by scientific means, and, in the meantime, charged any whisky not stated as made exclusively from cereals at the higher rate of tax—L420,000 (£183) a hectolitre instead of L340,000.

Britain retorted that the wording of whisky customs certificates had been agreed between the two countries in 1981 and that Italy could not change the rules unilaterally. Whisky, it reminded the Italian Government, was distilled from a must of cereals under the supervision of the British Customs and Excise.

Yet the British Embassy's messages to Italian customs went unanswered. Finally, Britain had to resort to a toughly worded diplomatic Note which suggested that the Italian customs were deliberately misinterpreting the law and interfering with legitimate trade.

Eventually the Italians backed down. A few days ago Sig Bruno Visentini, the Minister of Finance, agreed to let the whisky through at the lower rate of tax, at least on a temporary basis, and to give refunds to those importers who had paid the higher duty.

The importers also stand to benefit from a new tax bill now before parliament which should bring the VAT rate on whisky down to the same level as that on brandy at once instead of in 1986, and thus end whisky's status as a luxury.

As the whisky started flowing back into the shops for Christmas, Sig Maurizio Wax, chairman of the Italian whisky Importers Association, claimed: "I think the war over whisky is over."

Japan trade package to disappoint Third World

By Jurek Martin in Tokyo

JAPAN'S latest market-opening package, designed for developing countries with extra tailoring for Asian neighbours, already appears likely to be best known for what it has omitted.

The ambassador from Thailand flew back to Bangkok at the end of last week prior to what is certain to be a stiff protest—and perhaps even retaliation—over Japan's refusal to reduce the 18 per cent tariff on boneless chicken, of particular interest to Thailand, while allowing the cut in the levy on chicken on the bone, principally imported from the U.S.

Other Asian countries, already critical of Japanese trade policies, can be expected to take umbrage over the absence of Japanese action on other commodities.

Their complaints have, in a sense, been made easier because the Japanese Government had been unusually and publicly divided over this long-delayed trade package. After the formal announcement, Mr. Shintaro Abe, the Foreign Minister, went so far as to concede that Asian countries were bound to be "disappointed" by its contents.

The principal features of the package include cuts in duty, taking effect on next April 1, on nearly 40 agricultural and fisheries products two years ahead of the schedule laid down in the Tokyo Round of multilateral trade negotiations.

Pirelli tyre plant for Manchuria

By Our Rome Correspondent

PIRELLI, the Italian tyre and cable manufacturer, has won a L 30bn (£22m) contract to build a plant making tyres for trucks in China.

The contract, which the company says was won in the face of strong competition, especially from Japanese companies, which dominate the Chinese tyre market, involves the supply of machinery, knowhow and engineering.

The new plant, to be built in Manchuria, will be capable of producing 100,000 tyres a year. It will employ the latest Pirelli technology for metallic radial truck tyres.

The Milan-based company considers the contract a breakthrough into the Chinese market, which it hopes will be followed by the award of further contracts to the group.

● Wilkinson Sword has won a $1.5m contract to supply machinery and technical training for a razor blade factory in Shanghai, our Trade Staff reports. The equipment is designed to raise the factory's capacity from 150m to 200m blades a year.

The U.S.-owned consumer products group claims to be the first foreign supplier to China of razor blade machinery, winning the order against U.S. and West German competition.

Canadian aerospace subsidies

By Nancy Dunne in Washington

THE CANADIAN Government spent C$3.3bn (£2.1bn) from 1981-83 to subsidise aerospace development, according to the first of a series of U.S. Commerce Department reports on government-supported aerospace industries.

While the department has yet to complain about subsidies it seems to be establishing a factual base on which to launch later objections.

Studies of aerospace subsidies in Britain, France and West Germany and commuter aircraft production elsewhere are also planned.

"It is likely," the Canadian study said, "that direct government ownership and equity investment will continue to be the largest form of government support."

In March 1984, the government provided C$240m in equity financing for de Havilland, which it bought for C$40.5m in 1974. It acquired Canadair in 1976 for 46.6m. Last March the Canada Development Investment Corporation announced a restructuring of Canadair into two entities and informed the Canadian Parliament of the need for C$433m in cash to meet the company's needs until march 1985.

Canada is also supporting expansion of its helicopter and space industries.

SHIPPING REPORT

More attacks in Gulf

BY OUR SHIPPING CORRESPONDENT

IRAQI JETS yesterday fired an Exocet missile into a crippled Greek tanker south of Iran's Kharg Island oil terminal, hitting the ship for the second time in two days.

The first attack on the Ninemia, on Saturday, killed two crewmen and started a fire inthe engine room and accommodation quarters. Firefighters on at least seven tugs had extinguihed the first fire when *the Iraqis struck again. They* have now put out that blaze too.

The Ninemia was to be towed to the United Arab Emirates port of Dubai for repair.

Despite the renewed violence in the Gulf, chartering activity has been fairly high, as shippers attempted to take advantage of the low rates available before the holiday season.

Rates from less dangerous terminals are significantly lower, such as a 219,000-ton vessel booked from Sharjah and Ras al-Khafji with 211,000 tons to the Caribbean at Worldscale 26.5.

In West Africa, business has been hard to come by, and a London oil company is reported to have chartered a 70,000-ton tanker from Nigeria to the UK, continent or U.S. at Worldscale 55.

In the bulk carrier market, a few deals were fixed to move U.S. grain to the Far East, but Panamex rates have weakened. *Similarly, the latest round* of Australian coal contracts to Japan and Europe has been at lower levels.

WORLD ECONOMIC INDICATORS

TRADE STATISTICS

		Oct. '84	Sept. '84	Aug. '84	Oct. '84
UK £bn	Exports	6.291	5.844	5.937	5.156
	Imports	7.142	6.672	6.564	5.645
	Balance	−0.851	−0.828	−0.627	−0.489
U.S. $bn	Exports	18.387	18.177	18.036	17.033
	Imports	26.313	29.430	26.567	24.333
	Balance	−7.927	−11.253	−8.531	−7.300
		Sept. '84	Aug. '84	July '84	Sept. '83
Japan $bn	Exports	14.628	13.314	14.807	12.789
	Imports	10.135	12.201	11.608	10.396
	Balance	+4.493	+1.113	+3.199	+2.393
France FFr.bn	Exports	73.30	76.54	69.33	62.16
	Imports	72.83	73.02	69.92	62.48
	Balance	+0.47	+3.52	−0.59	−0.32
W. Germany DMbn	Exports	40.45	37.95	39.46	37.82
	Imports	35.23	34.15	36.47	34.22
	Balance	+5.22	+3.80	+2.99	+3.60

UK NEWS

TUC seeks to draw miners towards talks

BY JOHN LLOYD, INDUSTRIAL EDITOR

LEADERS of the Trades Union Congress (TUC) will meet today with the leadership of the National Union of Mineworkers (NUM) and will explore the possibility of concessions by the miners in their 41-week dispute.

This follows a meeting on Friday between the TUC's liaison group with the NUM and Mr Peter Walker, the Energy Secretary. The TUC group believe they established a tentative understanding with Mr Walker which could be built upon to achieve new peace talks.

At today's meeting, the TUC group is not expected to insist that the NUM makes any big concessions, nor to modify the TUC's position of "total support" for the striking miners.

It is, however, now fully recognised by the TUC leaders that they cannot deliver effective industrial support and that all moves must be aimed at drawing the miners' leaders towards talks in which both the National Coal Board and the NUM will show flexibility.

Leaders on both the left and right of the seven-man liaison group were encouraged by Mr Walker's relatively conciliatory approach and by his open invitation to further talks.

Some noted his interest in a new Plan for Coal agreed between the three parties of the Government, the NCB and the mining unions – and that he said that he could not support very uneconomic pits, an apparent softening of the Government's line of no support for uneconomic pits.

They acknowledged that Mr Walker repeated the standard Government and NCB views on the severity of the crisis in the industry and the generosity of the offer to the miners. They believe, however, that be is holding open the possibility of a negotiated settlement on reasonable terms.

The group members have noticed a difference in tone and emphasis between announcements made by Mr Arthur Scargill, the NUM president, and Mr Mick McGahey, the vice-president, in the past weeks. They are uncertain, however, how much importance to give to this.

Mr McGahey has stressed his "desperate" anxiety to have fresh talks with the NCB. Mr Scargill, however, attacked the TUC for talking to "people like Walker" rather than "implementing their policy of industrial support for the miners in the power and steel industries."

BA in bid to defuse Malaysian dispute

By Michael Donne, Aerospace Correspondent

BRITISH AIRWAYS (BA) and Malaysian Airlines System (MAS) are to set up a working party to study ways of defusing the row over air services between the countries.

The initiative has come from BA, which believes a closer study by both sides of the actual and potential market for air travel between the two countries can do much to ease current tensions.

The problem has arisen in recent months because of a UK refusal to grant the Malaysian airline an increase from the present four UK-Malaysia flights a week each way to five. BA also has four flights a week hut is not seeking an increase.

The UK Government team in the discussions so far has maintained that there was not enough end-to-end traffic between London and Kuala Lumpur to justify the additional frequency sought by MAS, and that any extra flights would dilute the traffic already available.

In order to clear up differences of view about the market potential BA proposed the working party to study the available data, and also to solve any other outstanding problems between the two airlines.

MAS has agreed, and it is expected that the first meeting will take place in Kuala Lumpur about mid-January.

● Pan American World Airways expects transatlantic air traffic to continue to surge in 1985, and plans to boost its round-trip flights between the U.S. and Europe in the peak season from last summer's 109 a week to a total of 154 a week, or more than 40 per cent more.

RAF restricts flying to cut back on £400m overspend

BY BRIDGET BLOOM, DEFENCE CORRESPONDENT

THE RAF is reducing pilot training and other flights and is delaying maintenance and construction contracts in a series of cuts designed to currect overspending estimated at £400m in the current financial year.

The most severe cuts are on the use of fuel. The RAF's annual fuel allowance is being cut hy 10 per cent. Because the cuts are only just being enforced, however, this could mean reductions of 30 to 40 per cent ofver the next three months.

Other measures designed to reduce the over-spend by the end of March include delay on construction and maintenance contracts, possibly including the extension of UK bases in West Germany as well as cuts in travel and purchases such as spares and office supplies.

The squeeze on RAF spending has been progressively applied since mid-November, when the extent of the overspend became apparent. Further measures, including delays in or even cancellation of projects such as a replacement transport helicopter, are being considered by ministers.

Of the three armed services the RAF has the largest capital programme – £2.8bn in 1984-5 compared to the army's £1,6hn, and the navy's £1.9hn. The total defence budget for 1984-85 is £17bn, with £7bn going on defence equipment.

Part of the reason for the RAF's overspent budget is that several projects are turning out to be more costly than planned. In particular, the Nimrod early warning aircraft, originally due to enter service this year, has been delayed by at least a year. The main reason is that the radar system, designed and built by Marconi, is not working to the RAF's satisfaction. Nimrod's cost is said to have risen from £450m in 1981 to nearly £1bn today.

Officers say the squeeze is not as severe as thet imposed in late 1980 in what proved to be the run-up to the defence review of June 1981. Then, not only was fuel consumption cut but a moratorium was placed on payments for most main defence contracts.

Officers claim that the programme for bringing the Tornado combat aircraft into service can be maintained. They say the cuts in fuel will be easier to apply now since fewer flights are planned in the winter in the UK or West Germany. They say operational readiness can be maintained, at least in the short term.

Senior officers, however, do not disguise their fear that if the squeeze is enforced beyond March, operational effectiveness could begin to decline.

Defence Ministry officials deny that the squeeze presages another 1981-type defence review when it was decided the size of the surface navy would be slashed in an effort to tailor Britain's defence commitments to its resources.

They acknowledge, however, that the past few years of high spending are coming to an end.

□ NATIONAL SAVINGS contributed a net £207.4m to the public sector borrowing requirement in November, including accrued interest. The total net contribution to government funding for the first eight months of the 1984-85 financial year was £2.21bn, 10 per cent ahead of the target rate.

Plight of cable TV to be investigated

BY RAYMOND SNODDY

THE INFORMATION Technology Advisory Panel (Itap), which advises the Prime Minister on all aspects of information technology, is to mount a further study of cable television because of the deepening crisis in the industry.

A previous report by Itap, in March 1982, which urged the Government to remove restrictions on cable companies, is regarded as having launched the cable revolution in Britain.

Work on the latest Itap study will start in early January. Its conclusions will be reported to Home Office and Department of Trade and Industry ministers. The panel has decided to undertake the work on its own initiative because of the lack of progress in the industry.

The first thing Itap plans to do is talk to the members of struggling cable franchises to see what effect the withdrawal of capital allowances had on their financial prospects.

There is a growing feeling that government policy has been so inconsistent that it has put the whole future of multi-channel cable and associated business services at risk.

Itap's 1982 report, produced by leading electronics experts, said the Government could stimulate a £1bn a year business and provide the means for distributing data communications and electronic services as well as extra entertainment to homes and offices.

More than a year after the Government awarded 11 pilot franchises, however, little has happened and many of them are having severe difficulties raising finance.

The new Itap investigation will probably have to consider Windsor Television, whose future now hangs in the balance and will probably be decided later this week.

Ministers have already been warned that Windsor could be facing serious problems. It is believed that the company has almost run out of its first tranche of finance and shareholders, which include the Hawley-Group, Currys, GEC, ICFC and Standard Life Assurance, are on the point of deciding whether or not to put in more money or pull out.

If Windsor was to fail, be put on ice or adopt simpler technology it would be a serious blow to Government cable hopes. The franchise area is promising and the company has experienced management. Above all, however, Windsor was planning to do the things the Government most wants to see happen.

Apart from entertainment, Windsor planned to concentrate heavily on two-way communication for businesses

Windsor was also the only cable company so far to sign an agreement with Mercury Communications to offer local telephone services in competition with British Telecom.

Ford strike peace plan proposed

LEADERS of Ford's 270 striking sewing machinists will today hear a proposal which only partly meets their demand for independent assessment of a grading grievance. The chances of ending their four-week strike, which has halted the output of all Ford cars and Transit vans in Britain, are delicately balanced.

Union officials were guardedly optimistic when the formula was worked out at national talks with the company on Friday. It is by no means certain, however, that local union officials will accept it. The proposals will be put with no union recommendation.

The strike has caused 10,000 of the company's 40,500 manual workers to be laid off without pay and has delayed the 7 per cent annual pay rise.

The 17-year-old claim of the machinists, mainly women who sew car seats and headrests at Dagenham in Essex and Halewood on Merseyside, is for promotion from the grade B pay band to grade C, raising their basic pay by £6.67 to £144.64 a week under the new pay rates.

The latest proposal is for the machinists to go back to work while the claim is examined by an ad hoc committee with company and outside representation. Its work would be overseen by an independent chairman, and could take months rather than weeks.

This is a compromise between the union demand for an independent assessment, and Ford's offer of a company examination.

□ THE CITY OF LONDON's future as one of the world's leading financial centres could be threatened by new planning restrictions, according to Richard Ellis, one of the UK's largest estate agency and surveying practices.

In November, the City of London Corporation published a draft plan containing the first fresh development strategy for the Square Mile in over 20 years. Although the corporation confirmed the importance of office-based employment it emphasised the vital role of conservation areas.

□ SIR CLIVE SINCLAIR of Sinclair Research said production watersheds had been passed on two principal projects. After microchip problems with its pocket television, production was now in full flow at between 300 and 500 a day, and output was coming on stream of the lightweight electric car to be launched next month.

□ THE MANPOWER Services Commission today publishes a survey which, it says, demonstrates that its community programme is helping the long-term unemployed to return to the jobs market.

The survey finds that one third of a sample of the people who took part in the programme in 1983 had jobs eight months after leaving it.

□ SIR TERENCE BECKETT plans to continue as director-general of the Confederation of British Industry after his initial five-year term ends next October. Sir Terence, aged 61, can hold office until he is 65.

Joint dealer drive by Lancia-Suzuki group

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

MR GERALD RONSON's Heron International group is combining the efforts of its Suzuki and Lancia car import companies in the search for top-quality dealers in Britain.

Heron is about to appoint 12 dealers who will handle both the Japanese and Italian cars.

The joint effort has been made necessary partly by the intense competition among manufacturers to sign up good dealers – Austin Rover, BL's subsidiary, and Ford have been particularly aggressive in this field in recent months as has Nissan, which is attempting to build up its network to prepare for the assembly of Nissan cars in the UK.

Heron has suffered because imports of Suzuki cars are severely restricted by the voluntary import restraints agreed by the Japanese and British motor industries, while the Lancia franchise, acquired by Heron in February 1983, has not performed as well as expected.

In the first 11 months of this year Heron's Lancar subsidiary sold 2,527 Lancia cars, nearly a quarter fewer than the 3,300 in the same period of 1983. Sales for the full year will be well below the 3,451 for 1983 and the target of 5,000.

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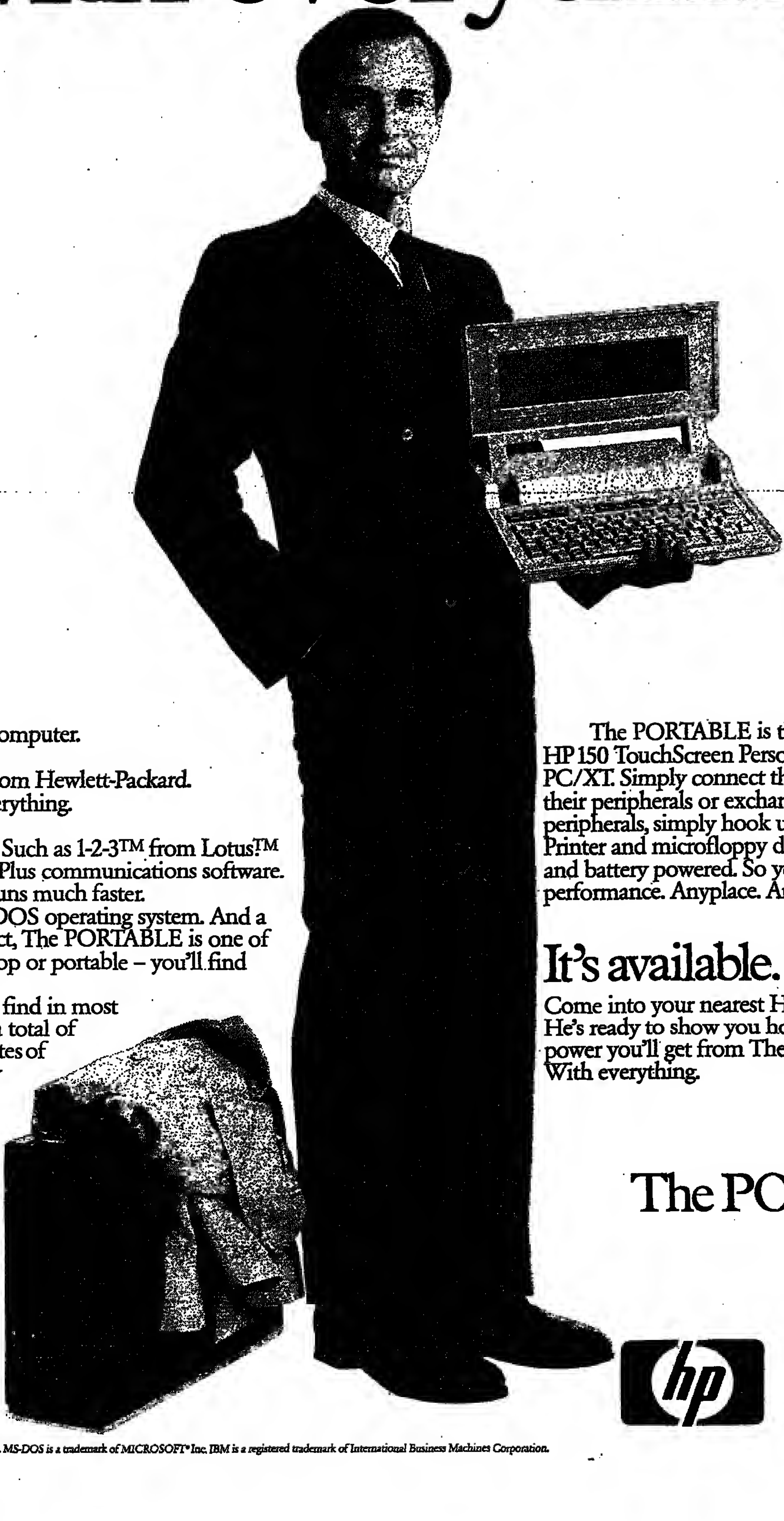

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UK NEWS

World oil prices forecast to stay in steep decline

BY DOMINIC LAWSON

WORLD oil prices are set to continue their steep decline, London stockbroker Simon & Coates argues in a paper published today. The report claims thet the supply-demand balance may move towards even greater excess supply next year and that demand, particularly in the second quarter, may be "extremely weak."

The British National Oil Corporation (BNOC) is selling about 400,000 barrels of oil a day on the spot market, which it buys at its official price of $28.65 a barrel. The spot price for Brent, the North Sea market crude, has now slipped below $27, leading to ever greater losses for the corporation.

The energy select committee of the House of Commons reported on Thursday that the Government should admit to Parliament that it is using BNOC to prop up North Sea oil prices, if it wants the Commons to approve any further financial assistance to keep BNOC solvent.

Tomorrow, Mr Alick Buchanan-Smith, the Energy Minister, is to defend the Government's record in a debate oo the funding of BNOC's mourting losses.

The minister is expected to argue against calls to remove or radically change the operations of the corporation. In particular, the Government is unwilling to do anything to provoke a violent reaction from members of the Organisation of Petroleum Exporting Countries (Opec) in the run-up to the Opec ministers' meeting in Geneva on December 19.

Meanwhile, BNOC is working behind the scenes with the large North Sea producers to establish a new North Sea price-setting mechanism, which will tie UK official prices much more closely to the spot market. This would have the effect of stemming BNOC's mounting losses.

Simon & Coates argues in its paper that "such a change can have only one implication given current conditions: a fall in official prices." The brokers predict that in the early part of next year widespread cuts in the prices of oil producing countries will leave average Opec prices at about $28.70 per barrel, compared with the current level of $28.40, and that the price of North Sea Brent will then settle at around $27 a barrel.

ICI lifts textile filament prices

By Anthony Moreton, Textiles Correspondent

ICI FIBRES is to put up the price of several polyamide textile filament products by 7 per cent on January 1. It will be the first rise for many of the group's products for a year.

Polyamides are part of the nylon family and so the rises will particularly affect socks, sportswear, lingerie and nightwear.

The price rise comes as ICI Fibres is doing well with new yarns it has launched in recent years – Mitrelle, a polyester filament yarn with a silky appearance, Terinda, another polyester yarn with the appearance of suede, and Tactel, a yarn which looks like cotton but is a polyamide.

Mr John Lister, chairman of ICI fibres admits customers were "a bit slow" to take up both Terinda and Mitrelle but "both are going well now."

These new fibres bave played an important part in bringing ICI Fibres back to profitability.

In the first balf of this year the divisioo contributed £13m towards ICI's £532m profit and it sbould make £15m-£16m during the wbole of the year. Although the textile cycle is moving down Mr Lister expects the division to do better next year.

Part of the reason lies in the switch towards special fibres such as Tactel, Terinda and Mitrelle, which now account for about a third of output by volume.

Better productivity through smaller numbers has also helped.

UK may join Europe gas grid

BY OUR INDUSTRIAL STAFF

BRITAIN could join the European gas grid, Mr Christopher Brierley, the managing director of ecooomic planning at the British Gas Corporation, said yesterday. It is the first time that the corporation has made such a forecast.

Mr Brierley also said that Britain could buy gas from Norway's Troll gas field, the second largest offshore gas field in the world. One plan appears to be that Troll gas could be exported to Europe via Britain. The concept of Britain becoming a land bridge for supplies of Troll gas to France was discussed at the recent Anglo-French summit meeting.

British Gas bas reached an understanding with Statoil, tha Norwegian state oil company, to buy 32bo cu m a day of gas from the Norwegian Sleipner field. The deal has, however, beeo blocked by the British Government, which is using the current strong buyers' market for European gas to extract fiscal and other concessions from Norway.

Mr Brierley yesterday defended the Sleipner deal as an essential part of British Gas's strategy to satisfy demand for gas in the UK.

Some oil companies, notably British Petroleum, have argued that there are sufficient gas reserves in the UK, with oo need to import gas from Sleipner in the 1990s. (Mr Brierley argued that "the consequence of almost total reliance on indigenous reserves would be a far more severe decline in gas availability, followed by a sudden transition to large-scale imports."

On the prospect of a wider European supply shortfall, Mr Brierley said that the European gas utilities should co-operate more closely: "In the long term I have no doubt that the UK will be part of the European grid. This country will then play an even greater part in ensuring a stable future for the European gas industry."

Closure of eel-breeding centre brings protests

BY MAURICE SAMUELSON

EUROPE'S biggest eel-breeding centre is being closed this week amid protests that the British electricity industry has killed the project prematurely.

The farm, which relies on bot water from the coal-fired power station at Drax, Yorkshire, had been run for the past seven years by Rank Hovis McDougall Aqua Cultural Developments, owned 75 per cent by Rank Hovis McDougall (RHM) and 25 per cent by the Central Electricity Generating Board (CEGB).

It has never made a profit and RHM decided to sell after the miners' strike drastically hit the flow of warm water which is essential for the eels to grow to marketable size.

The most serious would-be purchaser was Mr Joseph Robinson, 79, founder and former chairman of Radio Rentals, who read of the centre's plight in the Financial Times two months ago.

Mr Robinson, who lives in Switzerland and Jersey and who retired from full-time business 15 years ago, has alleged in letters to the secretaries of state for energy and agriculture that RHM's readiness to sell was thwarted by the CEGB even though he offered the board a yearly rental of £10,000, 20 times more than that paid by RHM.

Mr Peter Milner, one of the two CEGB representatives on the four-man board of RHM Aqua Cultural Developments, confirmed on Friday that even before the coal strike the board had concluded that the eel farm was not viable because of the soggy state of the land oo which it was situated.

The farm's closure is a personal blow for Dr Alan Walker, 43, the marine biologist made redundant after 19 years with RHM, the last nine of them specialising in eels.

He refuted the CEGB's contention that the farm is not viable

UK NEWS

Building industry growth 'better than expected'

BY JOAN GRAY, CONSTRUCTION CORRESPONDENT

UNEXPECTEDLY STRONG demand for new factories, offices and shops meant that the British construction industry performed better than expected in 1984, says a report published today by the National Economic Development Office (NEDO).

The industry has enjoyed a better recovery than seemed likely six months ago, says the report, from the joint forecasting committee of NEDO's building and civil engineering committees.

"The improvement from the forecast of 2.5 per cent growth for 1984 made in the summer to the current estimate of a 4 per cent rise in output for 1984 is entirely due to the much stronger performance of the private industrial and commercial sectors," it continues.

Although optimistic about continuing growth in private industrial and commercial building for the next two years, the report predicts a "slow decline" in housebuilding.

It forecasts that private housebuilding starts will fall to 145,000 in 1985 and 1986 after reaching 155,000 in 1984, and that completions will fail to remain at the 1984 high of 155,000, as the higher price of new houses compared to existing ones makes them increasingly unattractive to buyers.

The forecast of public sector *housing starts and completions* indicates that output this year could be 10 per cent below that of 1983, with further reductions of 22 per cent in 1985 *and 7 per cent in 1986* expected.

The report draws attention to the "diminishing role for the housing sector which is implied by these forecasts. New housing could have a share of less than 30 per cent of total new work in the next two years *unless the private sector* performs better than assumed or local authorities are able to devote more resources to new housing."

Private industrial building growth in 1984 is forecast at 18 per cent. "Industrial building has recovered strongly this year in the wake of the economic recovery in the UK," says the report – although it adds that this is "also attributable to a bunching of orders for industrial buildings in order for investment to qualify for the higher rate of capital allowances."

Consequently, a slowing of growth in new industrial building is predicted, to 6 per cent in 1985.

Private commercial activity grew by 5 per cent in 1984 and is expected to increase again, by 4 per cent in 1985 and 3 per cent in 1986.

"This continued growth reflects the strength of orders in the sector as well as the expectation of continuing institutional backing for this type of development," the forecast concludes.

Construction Forecasts 1984-85-86, from NEDO Books, Millbank Tower, London SW1P, 4QX; £10.

New conference centres will glut market, tourist board says

BY ARTHUR SANDLES

NEARLY £240m is being spent on 16 big conference centres in England, and many of them could become loss-making.

That emerges from two reports produced by the English Tourist Board, one of them commissioned from Peat Marwick Management Consultants. The report suggests that Britain, particularly England, is heavily over-supplied with confereoce centres.

The Peat Marwick report says that the 250 venues in Britain where events for more than 500 delegates can be held had to share only 680 such meetings. Only 150 conferences drew more than 1,000

It says that the conference market in Britain, which was worth £655m in 1983, "will show only modest growth in the future," and will make bleak reading for local authority and private investors in the 24 projects identified by the tourist board as being in progress in 1984. Sixteen of them, with their ancillary buildings, will cost £240m.

Nine of them are in the North of England, nine in the south and six in the Midlands and east. All but three will provide conference facilities for more than 500 people, with the bulk of them serving 500 to 1,500. Three schemes will provide space to hold 3,500 delegates.

Added to that is a scramble to provide exhibition space. A total of 57,000 square metres is planned – more than the total area of London's Earls Court.

Fifteen of the schemes are by local authorities, eight are commercial projects and one is the Government's conference centre in London.

They will enter a market, according *to the Peak report, where any* growth is likely to come from smaller meetings – and against competition with hotels.

The report says that conference centre planners must look to sports events, concerts, banqueting and exhibitions.

Mr Duncan Bluck, chairman of the British Tourist Authority and the English Tourist Board, said: "Over the past decade conferences and exhibitions have been identified by many local interests as a possible solntion to some of the problems arising from industrial decline."

"Conference centres have too often been built as symbols which not only look good but which are intended to cure a town of economic ills."

Among the big projects are the 1,500-seat Carlisle Leisure Centre, the 1,500-seat Blackpool Sandcastle Centre and the 10,000-seat Central Station project in Manchester. All are local authority projects. Bradford has two big conference projects in hand.

Trentham Gardens (Ltd) has a 2,000-seat hall planned for Stoke-on-Trent; Group Five Holdings plans seating in various halls for around 45,000 people at Corby Wonder World; Alexandra Palace Trust will be providing seats for 7,500 at the palace in London; and Norwich Union is building a 500-seat hall in Redhill, Surrey.

Sizewell N-plant tenders to be invited

By a Special Correspondent

THE CENTRAL Electricity Generating Board (CEGB) is to invite tenders for up to £500m worth of civil engineering work for the proposed Sizewell B nuclear power station in Suffolk, eastern England, which would be Britain's first pressurised water reactor (PWR).

The invitations will go out next month but contracts will be subject to government approval for the project after the long-running public inquiry finishes.

The decision to negotiate the civil engineering contracts has come 21 months before the board plans to start building at Sizewell, in September 1986.

The board has decided to invite tenders earlier than expected to try *to ensure that there is no delay if* the Government's decision is favourable.

The board is already fully committed to £12m worth of contracts for items of plant which have long delivery dates. A £100m contract has also been placed for steam generators, but this is subject to approval for the power station.

The civil engineering tenders are being invited a year before full safety clearance for the reactor is likely to be given by the Nuclear Installations Inspectorate. The board and the inspectorate have a target date for licensing of January 1986.

The latest report from the inspectorate, submitted to the Sizewell B inquiry last week, shows that the target is likely to be achieved. It says there are now no fundamental problems obstructing full safety clearance, although 32 relatively minor issues have yet to be resolved.

The inspectorate, however, says a rapid programme of steel stress and fracture analysis for part of the reactor's primary circuit is needed by the CEGB which, it claims, has failed to make any progress for two years.

The *inspectorate is also* concerned that a late decision has been taken to change the design of the computer which monitors the reactor's safety systems. *The new* computer has been developed by the Westinghouse Corporation

The Sizewell B inquiry enters its *final phase tomorrow with the start* of closing submissins by the participants.

TECHNOLOGY

EDITED BY ALAN CANE

WEST GERMANY IS THE SUBJECT OF THE SECOND IN A SERIES ON ELECTRONIC CASH MANAGEMENT

Key area of bank competition

BY JOHN DAVIES IN FRANKFURT

ELECTRONIC cash management is shaping up as one of the areas of keen competition between banks in West Germany. While U.S. banks have long been setting the pace in this field in West Germany, the homegrown banks are beginning to hop onto the technological bandwaggon and are influencing the direction it is taking.

This banking trend is still controversial and conservative views are not hard to find in the top echelons of the West German banking world. But there is a growing feeling that customer-oriented electronic banking services will inevitably become more important and that credit institutions need to keep pace with developments for fear of losing ground to rivals.

One technological development that seems set to alter the ground rules of the banking game is, of course, the use of personal computers in the finance departments of companies. The potential of computer work centres is stimulating interest in electronic fund management, requiring up-to-date banking data and instant banking transactions.

In addition, West Germany's videotex system, known as Bildschirmtext (BTX), is opening up the prospect of providing a network of banking data as one of its key services. Although BTX is the subject of much debate and criticism, it is generally seen as a useful communications channel.

BTX, at the moment, is a source of national data (although its guiding spirits foresee the day when it will draw on videotex systems abroad). But this information can be supplemented by data communicated from banks abroad.

This line of reasoning lies behind the electronic treasury management system introduced recently by Dresdner Bank, West Germany's second largest bank.

Its system uses BTX as a channel for national banking data, while international data is channelled via the Mark III communications network of General Electric Information Services Company (Geisco) of the U.S.

All data is drawn together in a personal computer, which can also obtain information from a company's own internal computer centre, either through a direct line or by means of discs.

The software, developed with the aid of National Data Corporation (NDC) of the U.S., enables the user to incorporate the national, international and in-house data as a basis for financial summaries, predictions and decision-making.

Dresdner has long been among the most enthusiastic supporters of BTX, judging it to have useful potential for home and office banking. While West German banks have tended to be somewhat reserved about electronic cash management, Dresdner is actively promoting its system, based on an amalgam of BTX, Mark II and in-house data.

"It is not possible to ignore technical development," says Herr Bernard Waller, head of Dresdner's domestic division. Customers now have a right to expect advanced electronic financial services, he says.

"The banking market in West Germany is a very hard fought area," he says, and provision of electronic financial services is necessary to remain competitive.

Dresdner offers its electronic cash management either as a purely national, BTX based service, called Drebit, or as a wider service incorporating both the national and international elements, under the name of Drecam.

The bank is aiming the purely national service at a large number of medium sized business enterprises, while it envisages a potential market of perhaps 250 internationally active enterprises for the full Drecam service.

The software for Drebit costs about DM 1,800 to DM 2,000, while the more comprehensive software package is priced at between DM 60,000 and DM 100,000, depending on the various modules required. The running costs of the cash management system depend on usage.

One of the attractions of BTX is that it gives a user easy access to a number of banks in West Germany; the user is not locked into one house bank. Moreover, the banks are not confronted with the awkward problem of agreeing on a formal exchange of data among themselves, each is feeding bis own client.

On the other hand, Herr Hans Joachim Bruckner, a Dresdner divisional director, points out that there is no standardisation of the way various banks present data through BTX—an extra problem for the software.

BTX is an ambitious project of the Bundespost, West Germany's postal and telecommunications authority, with key computer work carried out by IBM. The Bundespost will have invested about DM 700m in projects related to BTX by the end of 1986.

Data is stored in a central computer at Ulm and in a network of regional computers. Unlike some other videotex systems abroad, BTX has been envisaged as not merely an information provider, but a means of interactive dialogue, for such services as banking transactions and purchase orders.

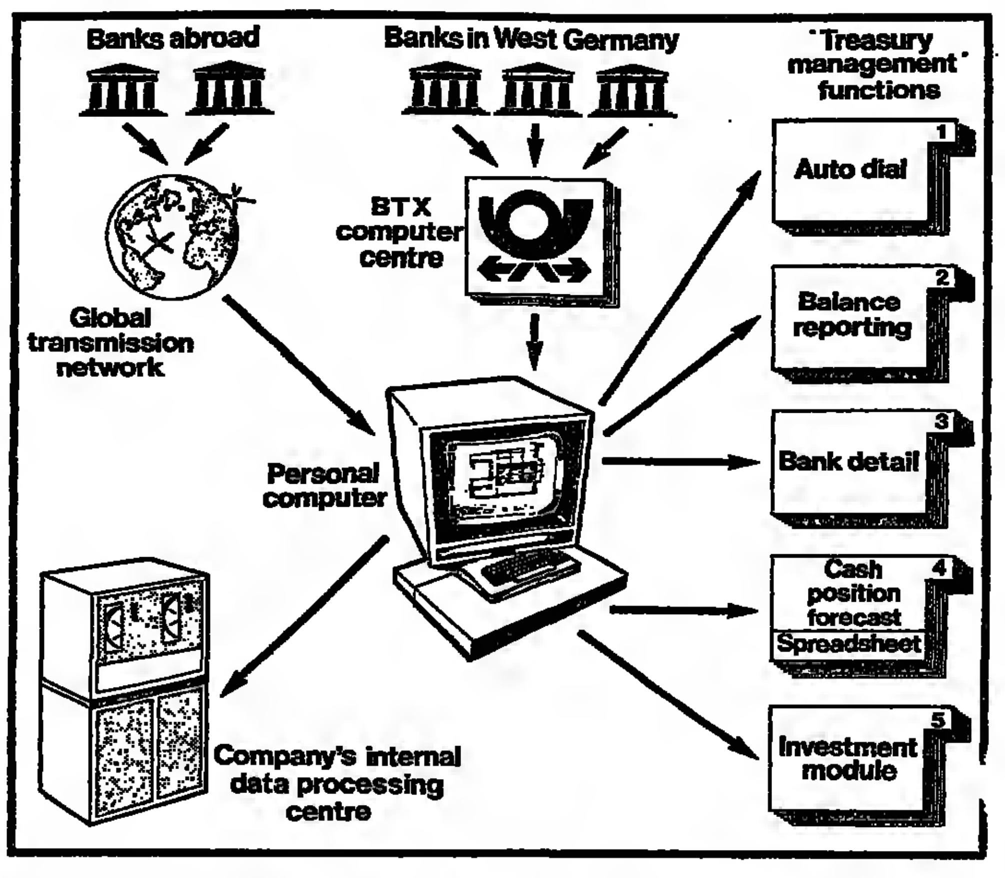
To foster interactive communication, a growing number of information providers, including banks, are connecting their internal computers to the BTX system.

IBM was unable to meet the original deadline of handing over the BTX system in the form envisaged by September 1983, but an interim service, based on field trials, was introduced. The service proper, incorporating the Cept standard for script and graphics, has since been introduced and steadily extended throughout most of West Germany.

The number of users—about 18,000—is still far less than originally hoped, and it is felt that the number will not grow significantly until there is a large drop in the price of decoding equipment, which users must buy in order to view on a TV screen the material they have called up via the telephone.

Until the number of users grows, BTX is expected to find most use in commercial applications. Such as its inclusion in electronic cash management systems.

U.S. banks, notably Chase Manhattan and Citibank, have been actively promoting their international cash management systems in West Germany in recent years, but the West German banks have tended to adopt a more cautious approach. They have felt that their paper-based systems are basically satisfactory, while at the same time they have been weighing up the prospects of BTX.



COMPUTER PROGRAMS

Spectacular growth seen in packages

BY ALAN CANE

HIGH flying software companies like Microsoft (Microsoft Basic and the operating system for the IBM Personal Computer) and Lotus Development Corporation (Lotus 1-2-3) can make their contemporaries seem earthbound, despite rates of growth which would be the envy of any other industry.

Package Programs (PPL), for example, an independent, UK-based software package vendor, has been growing at an average 40 per cent a year for the past four years: "I would have thought that rate of growth was quite spectacular," Roy Taylor, PPL chairman, remarks quietly.

Now it is aiming for the big time, albeit in a modest and careful way. It raised £0.5m earlier this year from Alan Patricof Associates and it is looking to the City for a further £1.2m to finance its future plans. It expects to go public within the next two years.

What makes PPL—a company which turned over £5.3m in 1983-84 with pre-tax profits of £377,373—especially interesting is its position in the computing services business and its approach to diversification and growth. Its chief home grown competition is from the somewhat larger Peterborough Software. Both have to face the mighty Management Science America (MSA) the world's biggest packaged software house.

Packaged program vendors, like computer bureaux, were the mainstay of the business in the past. Over 70 per cent of all the software used in Europe came from U.S. software companies packaged in the U.S. and sold and modified for European use by companies like PPL.

Packaged programs are generalised pieces of software which can be used by a number of clients for the same application with little or no modification.

It was good, steady business. PPL today, for example, sells mainframe application products from G.E. Software International, Cyborg Systems and Execucom Systems, all of the U.S.

Its G.E. software is all to do with financial management—general ledger and financial reporting together with accounts payable, accounts receivable and cash management—while packages from Cyborg deal with payroll and human resource management. Execucom provides decision support packages with on-line real time colour graphics as a particular feature.

But the company was determined to become less dependent on the agency business (some might call it an "added value retailer"). After all, a number of UK software companies had found themselves in trouble when their agency agreements were abruptly curtailed.

Its search for new market niches led it in three directions. First, towards the recruitment business: established in the earlier part of this year, PPL recruitment is still tiny but showing a profit—not surprising with the present shortage of computer staff. It brings its own problems, however, when the parent company and a client are ostensibly in contention for the same kind of programmers. The solution is an arms-length relationship between parent and subsidiary.

Second, a move to developing and writing its own software—the establishment of a "software factory"—for information centre management. The information centre is an IBM-inspired idea much in vogue in the U.S. but still to achieve popularity in Europe.

It involves a small mainframe computer which can be used to take the load of providing management information applications programs off the principal mainframe. PPL has two programs in this category—Distribution Resource Planning s and Material Resource Planning.

Third—almost inevitably—a microsystems division was established.

The company is now an approved IBM PC dealer and it has become a "software publisher," seeking out and packaging worthwhile products for the micro market.

PPL has a blue chip list of clients including British Telecom, Rolls-Royce, HM Treasury and W. H. Smith. Surveys suggest PPL gives value for money. Roy Taylor growls: "Anything we buy from outside has to be good value or else we paid too much for it."

Construction

Design at a distance

WHEN the John Laing Construction Group, with Mowlem and Amey Roadstone undertook to construct a road between the new Mount Pleasant commercial airfield and Fort Stanley, Laing was faced with carrying out the design work rom 8,000 miles away in London.

Working with Compulervision, the U.S.-based computer-aided design company, Laing has produced CAD software that has allowed the job to be completed more quickly than would otherwise have been possible.

Models

One of the suites, Digital Ground Models (DGM), produces a model of the surface over which the road will run, based on survey data brought back from the Falklands. On the screen, the engineers see exactly what the surface looks like.

A second "Highway Design Program," HDP, allows the engineer to indicate the proposed centre line of the road across the model. Then he is asked questions about vehicle speeds, road width and other defining parameters, whereupon the computer evaluates the data and shows him the result in terms of horizontal positioning. The procedure is repeated in the verticle plane, overlaid on the ground profiles.

At the end o the processes, the road is defined in X, Y and Z co-ordinates, complete with construction requirements outside the boundary of the road surface. Total volumes of cut and fill and the total volume of construction material needed are printed ont.

GEOFFREY CHARLISH

Contracts & Tenders

Company Notices

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

Marvin Runyon: a Ford man for 37 years, but instilling a participative style into Nissan's Symrna plant

How Nissan went American

Terry Dodsworth on the Japanese motor group's enthusiasm for shared responsibility

MARVIN RUNYON would seem to be a product of the Ford Motor Company system. Starting at the bottom as an bourly-paid worker, he rose steadily in 37 years with the U.S. motor giant to plant manager and then beyond to the upper echelons of the hierarchy in Detroit, the heartland of the American motor Industry.

How, then, does someone so steeped in Ford's conventional style of management-worker relations come to be running Nissan of Japan's first U.S. assemhly plant and installing highly participative cethods?

"Maybe they looked at my record," he says, with a smile.

A tall imposing Texan of 59, Runyon talks with great conviction about the managerial techniques that have made Nissan's U.S. plant at Smyrna, Tennessee, a model of its kind. To a considerable degree, what has happened at the plant reflects the thinking that has inspired the drive of U.S. manufacturing industry into the southern states, known as the sunbelt area, and away from the northern "rustbowl" over the past 10 years. But at Nissan, where 2,000 (going up to 3,000) are employed against the nnrmal 200 to 350 in these new sunbelt facilities, there is an enormous difference of scale.

Many of the executives who have led the trek south contend with almost religious fervour that plants have to be kept small to prevent the alienation of relationships that so often creeps into larger establishments.

Their underlying rationale in changing location has been to create manufacturing facilities where work could be organised flexibly, usually without the restrictions imposed by trade unions. The idea is to create a better working environment than the U.S. norm, carrying employees along with management by encouraging them to participate in decisions as much as possible. If a plant grows too big, it is argued, this participative spirit is lost to the overriding need for a higher authority to organise and control production.

Runyon disagrees. At Ford, he says, be was something of a maverick, running a participative style within the limits of the nperation, and finding that it worked "pretty well."

At Nissan, be has been able to go much further. "We want," he says, "to sbove decisions down to as low a level as possible. We want to give as much responsibility as we can, and the authority to do the job. You don't hire somebody you don't trust."

This statement of aims sounds relatively simple, hut a great deal of hard thinking went into making it work on the shopfloor. Runyon says that the system is continuing to evolve, but, even so, a certain number of characteristics are clearly well established. They include:

● A drastic reduction in the layers of management from around eight or nine in a typical Detroit plant to five. "To achieve participative management you need the level of decision making to go as low down the system as possible."

● A shopfloor organisation based on small teams of workers led by a supervisor and never more than 20 strong (line employeea are all called "technicians" at Nissan).

Cohesive

Each team meets at the beginning of its relevant shift, and ooce a month for longer discussion groups. They are given more cohesiveness by allowing the supervisors the final choice in selecting new members.

● The absence of trade unions. The management of the plant has made a deliberate attempt to avoid unionisation, oo the grounds that unions often interpose another, quasi-managerial layer into the running of the plant. In the conventional Detroit plant, the union organiser often has a say in who goes where and who does what.

● Flexihility. The move away from unionisation equally reflects the desire to create an adaptable work force. Charlie Carter, supervisor in part of the stamping plant, says that all of his team of 11 are trained to do more than one job. "People like it. It breaks the monotony," he says.

● Trading. Adaptability is linked m a much more far-reaching training programme than is normal in Detroit. New employees bave an ioduction period when they bave the chance to try the job before deciding whether they want it, and then train for at least two weeks.

● Communications. Apart from the daily pre-shift meetings, the work teams hold weekly conferences in work time on special problems. There are also regular attempts to explain the more strategic goals of the company, touching on questions of product, financial performance and competitors. The plant bas the latest in technology — a closed circuit television system which broadcasts via sets sprinkled everywhere around the nffices and sbopfloor. This relays messages and the occasional speech from top management.

● Job security. Workers at Smyrna are told that their jobs will never be threatened under normal conditions.

● Working hours. The plant has an inflexible rule that employees work only nine hours a day and one shift on Saturdays. Runyon says this is hecause the Detroit practice of ten-hour working days, six days a week in busy times, comes ultimately to be irritating to employees, who start choosing which days they will work. "Absenteeism goes up, sometimes to 15 per cent, aod both quality and costs go to pot. Overtime might pay in extra profit short-term, but we are thinking long-term."

● Workforce. Nissan bas deliberately skimmed the local labour market for a high quality workforce, which it pays over the odds in local terms. The pay and conditions at Smyrna do not, on average, match wbat is paid in the Detroit area, but they are high enough, as Runyon puts it, to dissuade most people from running nff once they have been trained. New workers are closely screened in a series of interviews.

● Quality. To establish a coberent system of production controls, Runyon adopted the Japanese notion that the system should be "driven," as he pnts it, by quality targets. If tbe plant turns out good quality products, be says, high productivity and a satisfactory performance will [illegible] "you only build it one time, you do not have to repair it, and when it goes to the customer, he is not going to want to fix a lot of things."

● Suppliers. Nissan has moved decisively towards a system of single source suppliers based on much longer-term contracts than are normal in the U.S. Industry. This reflects the notion that its own production runs can be reasonably assured, along with the idea that it is better to establisb a longer-term relationship with parts manufacturers based on quality products, than to beat them into the ground on price.

Converts

Many of the points in this list clearly reflect Japanese management practices, in which heavy empbasis is placed on team achievements. But the idea that the Japanese owners of the plaot bave been the determining factor in the development of the managerial system does not go down well in Smyrna. The team of managers who followed Runyon, some of who bad been with bim at Ford, were all converts before the Japanese came preaching their message of participation.

What Nissan clearly did provide, however, was a catalyst— a investment project which llowed the team of Americans , build a plant from the ground up in the way they wanted it. "I always thought there was a better way of doing things when we were at Ford," says Joe Kieltyka, plaot manager of the trim and chassis division.

"I don't feel that if I went back to Ford I could change things the way I can here. There, you have to overcome years of confrontation between the management and men and you have a unionised factory in which channels of communication are cut off. Our factory is based on trust."

The results of these efforts to produce a fresh approach in U.S. manufacturing is a plant which is palpably different from the average Detroit establishment — so much so that last year Fortune magazine put Smyrna among its top 10 American factories. Workers on the line seem less introverted than those further north. Absenteeism runs at only about 2 per cent, and labour turnover is equally low.

Kieltyka, a quietly-spoken, first generation Polish immigrant, contends that the method of devolving management also makes tbe plant run more smoothly. He can now go away on holiday, be says, without receiving any panic calls for decisions such as he used to get, and without fearing that his desk will be piled high with questions awaiting solutions when he gets back.

The Nissan catalyst has also worked to the advantage of Smyrna in another way—in the amount of investment and strategic planning the Japanese company has been prepared to put into the plant. Smyrna has received the very latest in automated equipment. The capacity of the plant, at a little under 300,000 vehicles per annum, will be around the same as Honda's in Ohio when botb companies' present investment projects are completed, but at a cost of around $200m more.

The money that has been poured into the Smyrna showpiece is visible everywhere, from the spacious assembly lines sprinkled with table tennis sets, to the executive sulte where the pile carpets are so deep you could sleep on them.

As well as this investment largesse, Nissan's position in the market place has enabled it to guarantee job security. Unlike American manufacturers, the U.S. company can promise this becanse the group as a whole has the ability to modulate its exports and product mix from Japan.

Nissan selected to bnild in the U.S. those prodocta where demand exceeds its bighest U.S. production capability, says Runyon.

The fact that Nissan can bear these costs and still, according to Runyon, be in a position to show profits on Smyrna in calendar 1985, probably says a great deal about the higb cost of vehicle production in the north of the U.S. But it will also undoubtedly give a boost to the new managerial systems which the Japanese have pioneered, and which are now winning increased sympathy even back in the plants which produced Runyon and Kieltyka.

A frustration for Japanese executives

Christopher Lorenz on a report that explodes the myth of consensus decision-making

THAT FAMOUS process of Japanese consensus decision-making is not what it seems. Instead of being used to make better decisions, its main role is often to appease the various factions in an organisation. And the really important decisions are taken by a handful of managers led by the chief executive.

This latest piece of Japanese myth-breaking stems from Charles Yang, an American lecturer at Waseda University in Tokyo, and the former managing director of Hakuhodo, the second largest ndvertising agency in Japan.

In an article in the latest issue of the Harvard Business Review*, Yang argues that although decision-making in Japanese companies is, in a sense, bottom-up, the power of the typical chief executive is so great that no important decision can be made without first considering bis wishes.

"While proposals are likely to start from lower-level executives, these proposals generally propose what they believe to be the wishes of their superiors," claims Yang. This pattern of decision making is prevalent all the way down to the lower echelons of management. "In other words, the bottom-up process merely disguises the true decision-making pattern, whicb generally runs from the top down."

The most striking difference between the Japanese and American method of decision-making, says Yang, lies in the way in which higher-level managers in Japan communicate ther directives. While American managers tend to communicate directly by order and command, Japanese executives generally prefer covert and indirect communcations.

"The less important the proposal, the less clearly the superior makes his intention known to subordinates, so that they can derive more satisfaction from taking the initiative. For more important matters, however, the superior becomes more direct."

In well-run Japanese companies, according m Yang, the key exectives (called "jitsuryoku-sha") are highly visible, as are many future members of this select group. A jitsuryoku-sha executive at the middle management level, Yang argues, is more inflnential than a senior executive who is outside the mainstream. "In the Lockheed scandal, for example, only jitsuryoku-sha executives of All Japan Airways and Marubeni Corporation were involved, while other executives, even those at very high levels, were essentially bystanders."

Unlike participative management in the West where committees are used to reach an agreement, Yang says it is the jitsuryoku-sha group in Japanese companies which first makes the decisions. It then engages in behind-the-scenes persuasion or nemawashi (literally, "root binding") before the formal document is circulated for signatures. "Disagreements, if any, are likely to come from executives within the jitsuryoku-sha group rather than from outside," Yang reports.

This does not mean that an executive outside the main faction cannot make an important proposal, be concindes, but the chances of it winning acceptance "are very remote." As a result, "many capable Japanese executives become very frustrated with the system."

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Business courses

The venture capital process, London, January 14-March 18. Fee: £425. Details from the Course Organiser (F47), Management Development Centre, The City University Business School, Frobisher Crescent, Barbican Centre, London EC2Y 8HB. Tel: 01-920 0111.

Techniques of scenario planning, Brunel, February 4-8. Fee: £590. Details from the Secretary, Management Programme, Brunel University, Uxbridge, Middlesex UB8 3PH. Tel: 0895 56461, Ext 215.

FINANCIAL TIMES SURVEY

Monday December 17 1984

Scotland

Despite uncertainty over the effects of cuts in regional aid and the still contracting traditional industries, buoyancy remains over growth in electronics and the services industry

Painful shakeout may be slowing

By MARK MEREDITH

ONE MORNING Scotland will wake to find things are not that bad. Getting out on the right side of bed will encourage examination of the prospects for new industrial growth in Scotland. It will also mean realising that many other parts of Britain are in a worse state in terms of unemployment and decline.

Of course, the woes of the West Midlands of England do not make Scotland's considerable residual problems any better. The plight of the jobless in Liverpool makes it no easier for the unemployed in Glasgow, who are among Scotland's 14.4 per cent out of work. Industrial production is still more than eight points below its 1979 levels, and is rising only sluggishly.

However, the balance in the economy has altered these past few years. It has been difficult to switch psychologically from past tendencies of defeatism, and a dependence on Government initiatives, to a more buoyant outlook.

The painful shakeout in manufacturing may have nearly run its course. It has been a difficult process, leaving a huge reservoir of unemployed men in their forties with little prospect of new jobs.

The great wind-down in industries such as motor vehicles and metal manufacture, brought in by governments during the 1950s and 1960s to create jobs, lies behind the Scots' claim for special treatment in the UK.

The latest to go has been British Leyland, which this year announced the closure of its truck plant in Bathgate, near Edinburgh, by 1986, shedding the remaining 1,800 jobs. Past casualties have been Peugeot's Linwood car plant (inherited from Chrysler), the Invergordon smelter and the Corpach pulp mill.

Uncertain future

The British Steel Corporation's Ravenscraig steel works at Motherwell, with a workforce of 4,200, remains, but its future, too, is uncertain. There is one strip steel works too many in Britain, according to British Steel, and the Scottish mill's distance from its markets in the south adds about £10.50 on a tonne of steel coil. Ravenscraig has replied to those proposing its closure by improving productivity to match most of the best in Europe.

Yet, for all the problems, successive studies on industry, both old and new, now make the point that the Scottish economy looks and performs increasingly like that of the rest of Britain.

The factors at work have been the success of electronics, and the prospects for greater offshore oil development. The service sector, too, has risen to account for more than half the jobs among the workforce of around two million.

Electronics in Scotland makes a remarkable story. Here is Europe's highest concentration of integrated circuit and personal computer manufacturing, spread through more than 200 companies and responsible for more than 40,000 jobs. Some enlightened promotion has built it up from the cluster of big U.S. companies—IBM, Honeywell and Hewlett-Packard among them—which provided the initial core.

Slowly, the sub-stratum of service companies, supplying the multinationals, move in. Gradually, managers spin off from the big companies to form the indigenous businesses which the planners long to see. Increasingly, the universities form links with companies on technological projects. Hesitatingly, industry looks at ways of applying the formidable array of computer-backed equipment.

If the idealists are right the growing reserves of Scottish electronic knowledge will also start to penetrate the offshore oil industry. Well over half the 100,000 UK jobs directly or indirectly linked with North Sea oil and gas development are in Scotland, and these have brought a bustling prosperity to the north-east of Scotland.

A new wave of offshore activity offers opportunities to Scottish companies ready to take on the difficult problems of gaining running experience.

Growing in importance, too, is the service sector and many of the unemployed from manufacturing can be expected to seek jobs here. A network of 24 enterprise trusts across Scotland wants to help such people set up small businesses.

The financial sector with around 80,000 jobs has become increasingly diverse in its range of services. Some fear the formation of big financial conglomerates in the City of London will overwhelm the smaller Scottish institutions. Others are confident that the Scots' independence and their relatively specialised niches in the market will be an advantage.

Delicate task

While service may lead the recovery the need for prompting throughout industry will remain. The public sector has a delicate task to decide when, and when not, to intervene.

Some of the most laissez-faire businessmen in Scotland insist that they can only compete in Britain and Europe if they have government assistance to compensate for distance from markets.

The recent review of regional aid confirmed the Government's desire to intervene less, and be more selective with its financial assistance. Areas eligible for assistance through automatic grants have been thinned out.

The £30m saved from the regional aid budget—Scotland will now get about £104m in 1987/88 — drew an angry response from the CBI in Scotland which feared the impact on inward investment, and re-equipping, and the effect on areas such as the Highlands, large parts of which lost eligibility for automatic grants.

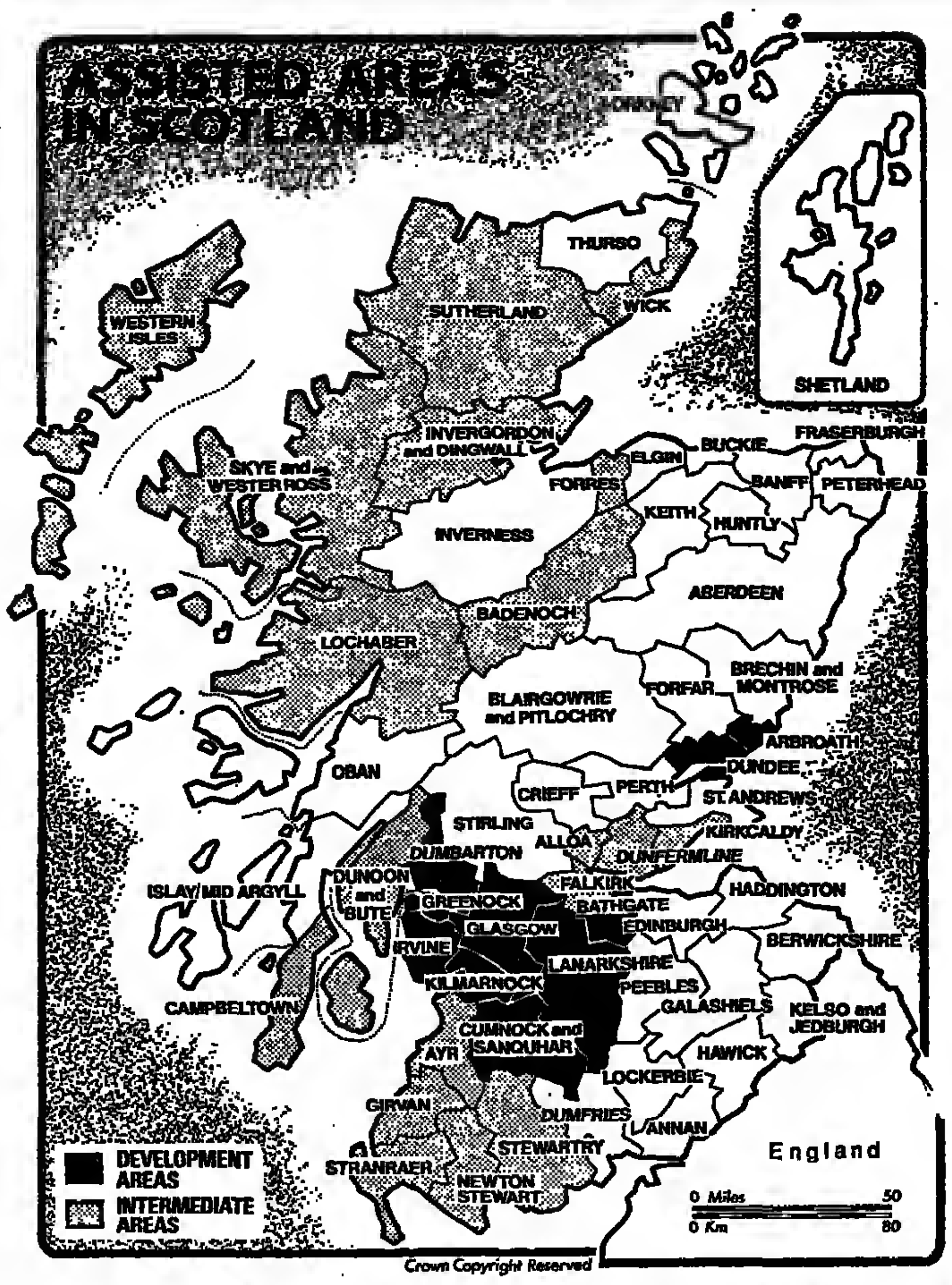
The Scottish Development Agency now has an even greater role in industrial promotion to make good the effect of regional aid cuts. Its policy to bring the private sector increasingly into the new growth areas has worked well. The problem is that the private sector may now expect the SDA to do much of the groundwork in taking initiatives.

Scotland, despite its growing similarities with the rest of the UK retains its peculiarities as the Government looks for a future from the private sector. In the first place this is a strongly socialist place to promote popular capitalism.

Labour has 41 of the 72 Scottish seats at Westminster and there is no fund of goodwill towards the Conservative Government in Scotland. The trade union movebent for one will need convincing about the thrust of development policy.

The big Conservative majority in Westminster has, however, left Labour with a credibility problem in Scotland. Its increasing pressure for greater devolution is a reflection of the party's desire to increase its visibility.

The party's main effort, however, is likely to be directed towards bringing attention to bear on areas of Scotland facing industrial reverses, compensating where possible for the switch in focus to other parts of Britain.



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Changing face of industrial aid

INCENTIVES TO incoming industry are being concentrated in the West central belt around Glasgow and in Dundee, both of which qualify as inner areas receiving the new top rate of 15 per cent regional development grants.

The Highlands and Islands and large parts of central Scotland are now classified as intermediate areas, where assistance will be paid at the discretio nof the Secretary of State for Scotland. In other parts of the country including oil-rich Aberdeen, Edinburgh, and the Lowlands projects will not qualify for regional aid.

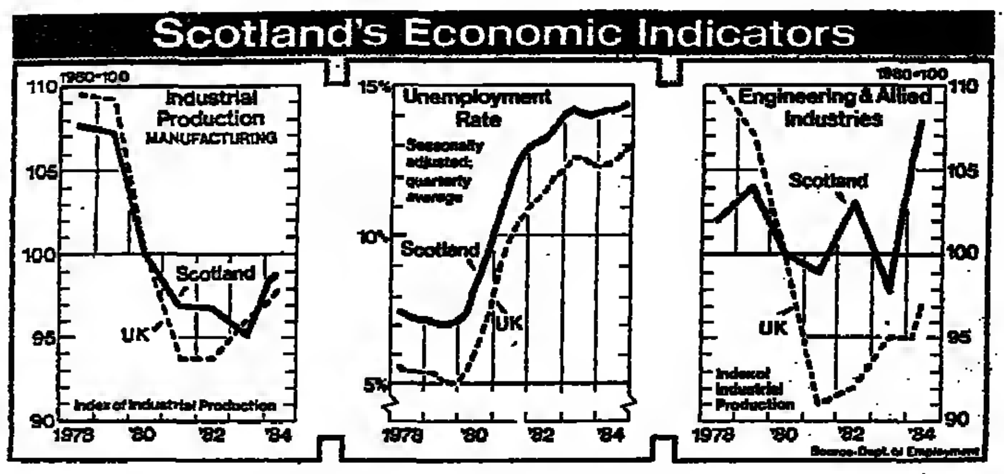
The cuts are expected to result in a drop of some £90m in the aid paid to Scotland from the figure of around £270m in the last financial year. Some extra funding is being made available to the Highlands and Islands Development Board—a 5.75 per cent increase in its 1985-6 budget or roughly 1 per cent more than the current inflation rate—and the Scottish Development Agency's funding is not being touched.

In a move designed to take a step further the integration under one roof of regional aid administration, the Scottish Office is taking over from the Department of Trade and Industry in London responsibility for discretionary grants. Service industry will qualify for the first time for aid. Tourism will not benefit, however.

The changes, intended to ensure aid is concentrated on areas where the Government feels assistance is really needed have not been well received in Scotland, by industry or trade unions. Apart from the individual worries of areas where the level of assistance has been downgraded, there is concern that existing companies will now find it difficult to modernise.

Scotland 2

Scotland's Economic Indicators



Why it's all hands to the pump

Engineering
RHYS DAVID

THE GENERATION gap is there for all to see in Scottish industry nowadays. In the solid, grand surroundings bequeathed from a more expansive and confident age, the surviving engineering companies rattle around with space aplenty for a greatly reduced range of activities.

Up the road from these concentrations of older industries in the west of the country around Glasgow, the mainly foreign-owned electronic companies which have moved to the New Towns and other pastoral locations are to be found in glass palaces. Open plan and common status are the guiding philosophies, the workforce is largely in its teens and the managers are in their thirties.

Yet, it would be as wrong to write off engineering as a dinosaur as it would be to over-emphasise the importance of electronics. Scotland needs both and the struggle now, industrially, is to ensure that the one can survive and rebuild as the other continues its rapid growth.

The reasons for wanting engineering to survive hardly need stating. The contribution to employment of the sector as a whole (including metal manufacture), though down from the total of 340,000 in 1965 to fewer than 300,000, is still significant.

Moreover, it provides a major source of jobs for men at a time when many of the new jobs being created are for women. Scotland's educational system, too, remains well equipped to produce technically qualified recruits for the industry.

Just as importantly there are good growth prospects internationally in several sectors which the Scottish engineering industry competes in, oil and power engineering being the most pertinent examples.

The companies that have survived have in most cases had to come through fire, and, although the experience of each is somewhat different, there are some common themes.

To take just one example, the Weir Group, which had to be rescued by a group of institutions after slipping into losses of £8.25m in 1980, has subsequently returned to profit. Its turnround has, however, been at the expense of a halving of jobs—down from 9,000 to around 4,000 and the elimination of a range of activities.

The group, which like much of the rest of the Scottish engineering sector grew up to serve the shipbuilding industry, has withdrawn from fields entered in the 1950s and 1960s when the prospects and opportunities for UK engineering businesses were very different.

Scaled down

Rubber and plastic moulding activities have gone altogether and involvement in foundries has been scaled down. "Our way to grow will be by staying close to what we know and we will not be moving into areas that are unfamiliar" Mr Ron Garrick, managing director, observes.

The familiar, as far as the Scottish part of the group (one of the few big Scottish engineering companies still controlled from north of the border) is pumps, and here the company has on its hands a strong product in its downhole pump, a brilliant reworking of an old idea.

Developed at the request of BP the hydraulically operated device is designed to overcome the problems oil companies were facing with electrical pumps in seeking to enhance recovery from wells which had already delivered all the oil they could by their own pressure.

To date Weir has supplied or has on order, pumps to a value of £2m.

Shipbuilding has of course been through a similar process of rationalisation. At the British Shipbuilders subsidiary, Govan Shipbuilders the last few years have seen strenuous efforts to bring down losses.

The workforce has been cut back to about 2,000 and even more importantly working practices have changed to embrace much greater interchangeability—"a change in the habits of a lifetime" Mr Eric Mackie, the Ulsterman now running the yard, notes.

The yard now claims to be generally competitive with other European yards, if not with the Japanese or Koreans, but it has tried in any case to move out of direct competition with the Far East by moving into more sophisticated areas of shipbuilding.

"We need to be at the top end of the market. We used to build all the types of ship we now say we are going to build, but we had dropped out and the skills had been lost," says Mr Mackie who concedes that simpler ships will be built in the Third World.

To win back from foreign yards orders for higher quality vessels, the group, which secured its immediate future this summer with a £30m contract for three coal-carrying ships for the Central Electricity Generating Board, will make use of technical advances such as CAD/CAM.

Business survey

Whether the progress made by companies such as Weir and Govan represents a new defensive line which can be held, or whether further retreat is in prospect, remains unclear.

According to the latest Scottish Business Survey produced by the Fraser of Allander Institute at the University of Strathclyde—39 per cent of respondents in mechanical engineering were less optimistic about the state of business than three months earlier.

Employment prospects continue to look poor, too, with companies in the sector increasingly likely to seek strength through overseas diversification or through increases in the capital intensitivity of their operations.

A significant pointer to the way in which employment in the sector is changing is the Weir Group's decision to raise its stake in Yarrow, the non-nationalised part of the former warship builder which specialises in maritime design and electronic control systems

Ron Garrick, managing director of the Weir Group: turnround to profit at the expense of halving of jobs

manufacture.

Weir sees an increasing proportion of its business coming from the sale of "software" expertise — its design and consultancy services.

A similar shift away from dependence on Scottish-based manufacture has been taking place in other companies.

There is a prospect of a boost for the order books of Scottish engineering companies from the new round of investment taking place in the North Sea, a much higher proportion of which has to be placed with UK suppliers. Several Scottish companies, Babcock and Weir among them could also benefit from a decision to go ahead with the pressurised water reactor at Sizewell.

Realistically, however, the process of cutting their cloth to match their resources looks like going on for Scottish engineers.

PROFILE: DOUGLAS HENDERSON

Making the best of the old and new

"WE HAVE got to maintain Scotland as an industrial nation and this means keeping its manufacturing base."

Douglas Henderson, the 35-year-old Scottish organiser of the General Municipal Boilermakers and Allied Trade Unions, points to one of the fundamental problems facing trade unions in Scotland. The traditional industries are declining, most of the jobs will come in new manufacturing, but most of real development is in the service sector which now accounts for more than half the jobs in Scotland.

He is typical of the new young, articulate breed of trade union leaders trying to associate his movement with the new developments in the economy while not deserting the old.

"The trade unions are conscious of the need to create jobs but we also realise that we cannot rely on the traditional industries to create this employment. We've got to back the creation of new industries."

Henderson, like other trade unionists in Scotland, is deeply critical of the Government's cut in regional aid policy, effectively a £30m reduction in the size of grants.

The movement has been through a tough year with the miners' strike causing a considerable rift within union ranks. The miners' strike and the threat to the Ravenscraig steel works led to the steel workers backing management plans to by-pass the miners' pickets using road convoys.

Henderson points to the problems within the unions in confronting the new industries such as electronics where only a small proportion of the 40,000 workers are unionised.

The unions would do better if there was one house agreement for the industry.

Nevertheless, Honeywell computers near Glasgow, and Timex in Dundee which specialises in assembly, have union representation.

In the oil industry which employs something over 60,000 people in Scotland, trade union membership offshore is not as strong as onshore, according to Henderson. Like the electronics companies they pay above the odds and often set up their own staff consultative mechanisms.

MARK MEREDITH

Well placed to capitalise on self-generating expansion

Electronics

RHYS DAVID

FOR THE promoters of Scotland in the Scottish Development Agency the last few years have gone like a dream.

The latest wave of big names attracted to Scotland—Nippon Electric Company (NEC), Burr Brown, Wang Laboratories, ACT, Mitsubishi, and Shin-Etsu Handotai among them—aren part of the top league of electronic businesses, and they join an already distinguished list of high technology manufacturers which have located north of the border over the past decade, many of which have also been investing in new projects.

The statistics which the SDA's electronic unit rolls off are cumulatively impressive: more than 300 companies in the electronics field spread across defence and industrial, telecommunications, information systems and integrated circuits; employment of more than 40,000 people; the biggest concentration of semiconductor manufacture anywhere outside the U.S. and Japan; total computer production now estimated to be running at more than one million units a year, and boosted by five major projects in the last two two years (including IBM's personal computer); high technology investment in three years estimated at more than £1bn

Scotland's undoubted success in attracting these chunks of investment, at a time when its traditional industries have been contracting sharply, has been built on a happy combination of factors. The European market is, in population terms, the biggest individually in the world and has been growing fast, with the UK showing some of the strongest gains.

Because of high barriers into the EEC—17 per cent, for example, on semi-conductors—a European location has become essential for U.S. and Japanese companies wishing to share in the growth.

Inward investment

At the same time, electronics is by no means new to the country with some businesses—such as Ferranti—moving north of the border during World War II, and others, notably IBM, Honeywell and Burroughs having chosen Scotland 20 or 30 years ago in the first post-war expansion of inward investment into the UK.

Their presence, and relatively favourable experiences, have served as an encouragement to other U.S. concerns looking for a first base in Europe, and the Japanese have followed, influenced in part by a wish to operate from an English language environment. There has, too, been the attraction of grants, and the assiduous courtship of the industry by Scotland's development bodies.

Sometimes by accident, and sometimes by design, other factors which have created the conditions for favourable growth by the industry have fallen into place, even if it does not amount to the "critical mass" effect mentioned in some quarters—the beilef that the industry's growth is now self-generating.

The availability of good quality staff is one. In the last three years, for example, undergraduate entry to Scottish universities in physics and electronics has increased by 50 per cent and at technician level the number starting courses has more than doubled.

Scotland's universities have moved, too, into areas of research where they can offer support to the electronics industry. Edinburgh has become an important centre for research into very large scale integrated circuits (VLSI) and artificial intelligence. Glasgow is also studying the latter and along with Heriot-Watt has interests in opto-electronics.

The availability of VLSI support close at hand is regarded as a significant bonus by NEC

Mr Masamichi Shiraishi managing director of NEC Semiconductors (UK) one of the latest big electronic companies to set up shop in Scotland

which is planning to move to 256k RAM chips in the second £50m phase of development at its Livingston plant, expected to be completed in 1986.

Other support services, too, according to companies which have become established in Scotland, are good Transport of products to other markets is mostly by road or, if not, by air from Edinburgh or Glasgow, and most major European cities are distant in air time by only around one and a-half hours.

The big companies' growth has spawned, too, a range of ancillary developments, with indigenous companies being set up in some cases to meet some of the needs which have emerged. Perhaps the best example of this has been Rodime which supplies rotating disk memories to the many manufacturers of data processing equipment in the 70 miles long by 35 miles wide strip where most of Scotland's electronics companies are located.

Just as importantly an American company, SCI Systems, has decided in the wake of a large order from IBM to establish a Scottish presence, and Indy Electronics, also of the U.S., is to build a new plant for the contract assembly and test of integrated circuits, the first such project of this scale in the UK.

The way all these factors have been able together to work in Scotland's favour is illustrated by NEC, which had narrowed down its choice to the UK or Germany. The balance was tipped in Scotland's favour according to Mr Masamichi Shiraishi, the managing director, by the Government's financial package, infrastructure, language, availability of graduates and support industries.

Wang Laboratories which has moved to Stirling concurs: "From a marketing point of view the UK made the best sense and Scotland was chosen because of the workforce and infrastructure," Mr John Dolan, the plant's director, says.

Yet, although electronics seems to have set down roots, the fate of other industries which have transplanted to Scotland — most notably motor vehicles — cannot leave any room for complacency. Indeed some of the early electronics industry arrivals in Scotland such as NCR, Honeywell, and Burroughs were at one time bigger employers than they are now.

Changing markets

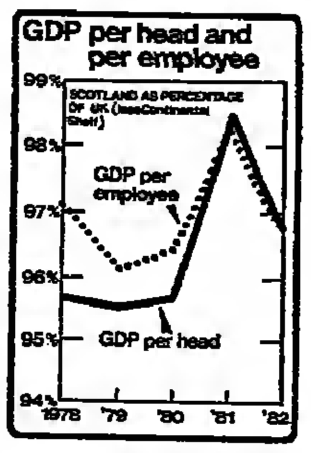
They were forced by changing markets to make substantial cuts in their operations, and even more serious problems have been encountered by Timex which has been trying to carve out niches in electronics. The industry as a whole is still short of the employment total of 49,000 it reached in 1970 when its output included substantial electro-mechanical elements.

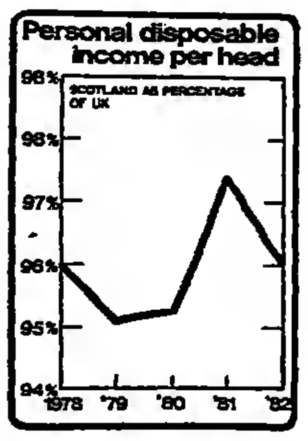
There are threats, too, posed by the changes in regional grants, and early warning signs have recently appeared of worldwide overcapacity in semiconductors, the electronics business in which Scotland is perhaps strongest. A major expansion planned by National Semiconductor, the big U.S. concern at a cost of £100m has already been delayed for this reason.

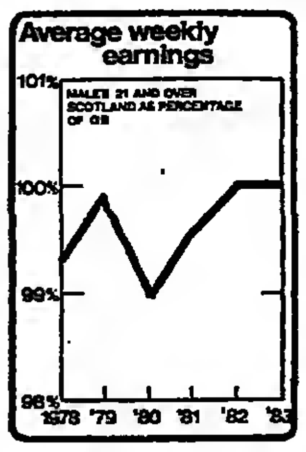
Individual companies point to other — generally not too serious — weaknesses they would like to see remedied, such as difficulties in sourcing certain products in Scotland, or in some cases in the UK. In 1980 only 30 per cent of the Scottish electronics industry's sub-contract demand was sourced within Scotland and the figure is unlikely to be substantially better now.

These considerations will influence the investment decisions of the multinational companies and there will inevitably be some which will move on in search of better rewards elsewhere, or at any rate establish succeeding plants in new markets. The rate at which further development takes place in Scotland is also likely to depend on whether the UK market continues to be among the leaders in the application of microcircuits.

As other markets develop on the continent it seems inevitable that some of the companies which have chosen Scotland as their European bridgehead will locate second and third plants in the countries concerned.







Yet, as the SDA points out, many of the electronic companies in Scotland are following a pattern of evolution which does suggest a commitment to the area. The first stage is very often warehousing followed by assembly and testing, then integrated manufacture and finally product assembly.

The agency likes to quote as classic examples of companies making key products and marketing decisions in Scotland the three U.S. groups Hewlett-Packard, Burroughs and NCR. NEC, which only arrived in Scotland two years ago, will be substantially upgrading the quality of work it carries out when it opens its second phase.

It is one of the agency's objectives to secure a similar degree of commitment from other incoming companies and to encourage more supporting companies to set up in business alongside existing manufacturers.

If many of these support companies making the ancillary products and services the bigger groups require could be started by Scottish-based entrepreneurs, so much the better—so far Scottish initiatives like Rodime and, in banking terminals, Fortronic, have been the exception.

If success along these lines can be achieved a very soundly based electronics sector perhaps able to begin justifying some of the wider hopes pieced upon it will have begun to emerge.

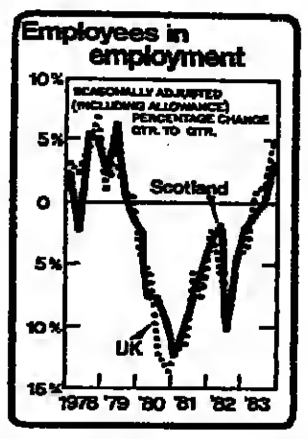
Rapid growth helps offset downturn in heavy industry

Service sector

MARK MEREDITH

THE ENTIRE service sector from the food business through shops, transport, and financial services, has grown strongly in Scotland since the mid-seventies. Glasgow, once the heartland of Scotland's heavy industry, is becoming today a centre for offices, the civil service and new shopping and conference centres. Services have changed the face of the city.

Services provides over 60 per cent of the jobs in Scotland. Their output accounts for more than half the Scottish gross domestic product (although measuring this is made difficult because of transport services which also serve England or services based in Scotland with most of their business elsewhere — insurance companies, for example).



Fresh interest

An example of the new interest being shown in services are the moves now being made to compile an index of services sector output. The University of Dundee has been asked to carry out a study by the Scottish Industry Department.

The recently amended change in regional policy which will now allow the service development to benefit from regional grants will further increase the sector's importance.

The manufacturing sector has traditionally been the centre of attention. Planners have fought shy of the service sector feeling that it takes care of itself and that actually to encourage it signalled a waning of interest in the fundamental problem of nurturing new manufacturing.

In Scotland the growth in services has accompanied the dismal decline of manufacturing. In Strathclyde alone, with half of Scotland's 5m population, manufacturing jobs have declined by 40 per cent since 1979 and over 80 per cent of all the jobs lost in the area were in manufacturing.

Much of the existing strength of the services sector in Scotland lies in finance which employs 80,000 people—about the same number of jobs as in North Sea oil.

The financial services sector is an important UK alternative to the City of London, and becoming increasingly active in areas of venture capital—the necessary ingredient to financing small firms and high technology.

Employment in this sector, however, is more likely to decline slightly than to increase as banking technology reduces the need for small bank branches in Scotland.

An important new area of growth for service companies is in electronics. The alteration in regional policy which now allows development grants to be made to data processing and software design, and to technical design and testing projects should act as a further stimulus to the services sector.

Signs of a revival in economic spirits

Dundee

MARK MEREDITH

DUNDEE, a victim of industrial decline, is now showing signs of recovery.

This city on a hill overlooking the River Tay had similar ailments to Glasgow. Old industries waned and — with one or two sparkling exceptions — there has been very little to replace them. The jute industry, is a shadow of its former self. Engineering likewise dwindled. Unemployment at 16.5 per cent is above the Scottish average of 14.5 per cent.

Like a troop of missionaries, the economic revivalists have concentrated their attention on Dundee these past two years, to try to revive its flagging economic spirits.

It now has an enterprise zone, an urban technology park, and an urban and business training programme. Most important it has found a client — a much sought after U.S. company — ready to take the plunge.

In October the W. L. Gore Company announced a £30m investment which could generate 900 jobs. It was the first real breakthrough for the city. The Gore factories are to manufacture coaxial cable for defence and radar operations and two further planned expansions will produce health care products.

The company has a further £6m invested in a plant elsewhere in Dundee, producing a coating material for containers carrying highly corrosive liquids. Up to 125 jobs and about 175 jobs in supporting industries could result.

In one fell swoop most of the £40m investment target sought by the Scottish Development Agency (SDA) as part of the Dundee Project was found.

The technology park idea was a marketing exercise for Dundee. It produced one-door professional promotion in place of numerous authorities and Government bodies talking at cross-purposes.

It has also de-politicised Dundee—a strongly Labour city council in a Conservative-run region.

The Dundee Project is run jointly by the SDA along with Dundee District and Tayside Regional Councils. The idea has been linked to the overall high technology promotion scheme for Scotland, produced by the SDA. This would take seminal ideas for new products through their research and prototype stage at small industrial nest units such as the West of Scotland Science Park in Glasgow and then move to Dundee and the technology park when they were ready to go into production.

The Gore investment does not rank as a Scottish product taken into full manufacturing. But it does respond to the marketing of Dundee as an area with a pool of labour skills suited for this kind of work.

A great part of this labour pool is drawn from the city's tradition of electromechanical engineering. NCR produces its mechanical cash registers in Dundee and Timex manufactured watches. Now these have gone.

NCR has been transformed into a centre for the development of automatic teller machines — cash dispensers. Timex, after a painful conversion involving many job losses, has kept some watch assembly with imported parts and devoted most of its efforts to attracting contract work for electronics companies. It assembles Sinclair computers and chassis for IBM computers as well as a recent contract for telephone production for TIe Communications, a U.S. company.

Momentum

The Dundee Project, to keep up the momentum, last month proposed a development which could fundamentally alter the face of the city. The idea was put to developers of developing the city centre waterfront between the road and rail bridges crossing the Tay.

What is now a roadway, rail line and some derelict buildings could, the project team suggests, become a tourist and leisure development.

"This is the opportunity of a lifetime to shape a major part of e city centre which has a superb location — both commercially, environmentally and as a hub of communication," according to Mr Jeff Lonsdale, head of the Dundee Project.

Expansive high-tech role sought in new industry

Room for new thinking

Oil

MARK MEREDITH

NORTH SEA oil, for all the prosperity it has brought, is still a qualified success for Scotland. Within industry and government is a feeling that Scotland could do better as the supply base for the offshore oil and gas industry, currently producing at the rate of £40,000 *worth of product a minute.*

This does not entirely take the form of resentment against the big oil companies which were brought in at the start of the seventies to rush Britain into oil self-sufficiency, though there is some frustration at the conservetive ollmen's reluctance to sample new British equipment and their preference for tried and tested machinery.

The worry, rather, is that Scotland has missed some opportunities in this fast moving and very profitable business. In tha long run its industries must build np exportable expertise in oil development for the end of the century when the North Sea is no longer the greatest offshore development of its kind in the world and the great production circus has moved on to new fields.

The North Sea has, nevertheless, delivered a lot in terms of wealth and jobs. The industry employs a conservatively estimated 66,000 in Scotland, possibly 100,000 directly and indirectly in Britain, and about 50,000 in the Aberdeen area. Around the country bas grown a huge industry supplying everything from oil platforms to offshore catering.

According to Grampian region in northeast Scotland, jobs around Aberdeen should rise to around 62,500 onshore in 1996. The numbers working offshore, where Scots accents are more common than American, could rise from 22,800 et present to 28,300 in 1996, Grampian estimates.

The work for the moment is in labour intensive heavy construction. There was a slowdown in the early 1980s as a result of tax changes which according to the companies were a disincentive to further offshore investment. Tha 1983 bndget which phased out additional petroleum revenue tax and provided tax relief on offshore exploration has brought about e new surge of activity over recent months, however.

An estimated £750m worth of contracts are expected to be placed in the next 12 months and the first nine months of this year bave seen more exploration and appraisal activity than in any full year so far.

One immediate consequence is that three of the four blg offshore construction yards in Scotland which were previously suffering from a drying up of orders are breathing a little more easily.

In September, Marathon oil placed a £214m fabrication order for its Brae B project. The legs (or jacket) 365 feet high and weighing 18,000 tonnes, are to be made at the big McDermott Ardersier yard near Inverness, while Highland Fabricators yard, run jointly by Wimpey, and Brown and Root, across the Moray Firth from McDermott won the £35m order for the 3,000 tonne support frame.

£5bn spending

This is the kind of business Scotland needs and the industry provides. According to Esso Petroleum the oil industry spends about £5bn a year offshore. It estimates that £43bn has been spent in the past 20 years in development and production and £1.5bn in maintenance and servicing costs. Esso also calculates that in addition to the 25 oil, and six gas, fields in production in UK waters an additionat 90 can be expected to be developed by the year 2000.

In the case of a UK oilfield of 75m barrels of oil over a 15-year period, Esso estimates that construction will account for £400m of the development costs. Recent signs that offshore construction costs are coming down have been some encouragement.

Another survey by the UK offshore operators association estimates that there could be orders for around 100 offshore platforms, 1,250 to 1,550 appraisal and development wells and 2,300 to 3,100 miles of offshore pipeline.

The main area of conceru over Scotland's performance centres on higher technology products and it is here efforts are being made to generate new thinking.

The Government has been trying to encourage oil companies to offer "full and fair" opportunities for British suppliers through the licensing procedure. Future licensing will also take into consideration the amount of research and development work for offshore work which the oil companies carry out in Britain.

This, according to BRIT an organisation which wants greater technological involvement for UK companies, is a step in the right direction.

The main monitor for UK participation in this industry is the Department of Energy's Offshore Supplies Office based in Glasgow. It annually tallies up the offshore contracts and, has estimated that today more than 70 per cent of the offshore contracts go to British-based companies. What riles BRIT, however, is that the UK subsidiaries of multinational companies are included in this percentage.

A new element at work is the Scottish Development Agency which has had a notable success in fostering the electronics industry in Scotland. The SDA has set up an office in Aberdeen to see what it can do to encourage greater penetration by industry.

Mr John Condliffe, the Aberdeen director of the agency, intends to take a new approach to the problem. As in electronics, the aim will be not to beat the multinationals bnt to join them. Within the big groups there will after all be managers who will want to go solo and make inroads into the market themselves. Yet while spin-off is at the heart of the policy of encouraging inward investment into electronics, can it work in the offshore world?

Mr Condliffe feels that a Houston, Texas-like proliferation of companies can happen in Scotland in the oil industry similar to the growth in electronics in "silicon glen."

Many of the same promotional methods are now being employed to attract U.S. oil service companies into Aberdeen—or into Scotland in general. Strathclyde around Glasgow has hopes for oil off the west coast and other parts also see a future in oil.

The agency last month announced that the Texas-based Gerhart Industries planned a $12m project North See centre in Aberdeen with a wireline training school and regional technical support unit.

The SDA hopes there will be others. Marketing initiatives pressing home the point that tho North Sea has been the toughest test bed yet for offshore engineering, should belp.

Three areas

A survey by engineering consultants, W. S. Atkins, has isolated three areas where Scottish firms in particular could make their mark: first is downhole products. As oil reservoirs decline, methods of injecting gas, water or nitrogen are being developed to maintain the upward pressure of oil and enhance recovery.

Second is sub-sea systems: here some headway has already heen made by UDI, a subsidiary of John Brown Engineering, in developing equipment aore to work at great depths and assist in the growing market for inspection and maintenance equipment. Small unmanned remotely operated vehicles equipped with television cameras and monitoring equipment can scan a platform leg for possible signs of stress in the steel work or check on the operation of the sea bed wellhead.

The third area is electronics itself which is moving slowly into North Sea activities. The next generation of platforms will have more computers on them for instrumentation and control systems.

The opportunities, with a bit of help for companies and some of the use of the growing capabilities of venture capital in Scotland may help the computer engineer in Scotland look offshore.

A prod for private enterprise

Forestry

MARK MEREDITH

FORESTRY IS coming into its own in Scotland. Much of the country's 929,000 hectares of productive woodland is reaching maturity, and the point when downstream Industries can start tapping the Pine and Sitka Spruce for a range of wood products is nearing.

This is Western Europe's last uncommitted timber resource. But like many other areas of Industry in Scotland, public sector initiatives heve been needed to prod private enterprise into action.

The initial results look encouraging Construction is under way for Britain's first structure board plant, a £13m venture near Inverness, producing a board with compressed strands of wood giving the strength of plywood and the lower cost of chipboard.

There are hopes too for more sawmills and possibly even a pulp mill.

The outlook is encouraging although Scottish forest production by the turn of the century may be less than 1 per cent of the European total.

Shaky past

Britain imports over 90 per cent of its timher and much of its pulp. The market is ripe for import substitution from Scotland, although a shaky past in this industry has made some private sector capital sby away.

Over the next 15 years tha production of sawlogs—trees over 30 years old suitable for timber—is expected to rise by 80 per cent. Production of small roundwoods—trees between 20 and 30 years old and suitable for wood processing into board and paper products—could rise by 130 per cent or more.

By the year 2000, Scottish forests will form about 40 per cent of total UK woodland (they amount to just over one-third at the moment) and according to industrial estimates output could double sgain in the following 20 years.

The closure of the Wiggins Teape pulp mill in Lochaber, near Fort William, in 1980 with the loss of over 400 jobs did much to jolt the confidence of the industry, although in retrospect the failure did not lie with the wood or the market.

But the initiatives by the Scottish Forest Product Development Group bringing together the Scottish Development Agency, The Highlands and Islands Development Board, The Forestry Commission and the nrivate forest owners has prodnced a co-ordinated public-private sector approach.

Whatever the hopes for encouraging private sector growth in downstream industries in Scotland it is unlikely the Government'a Forestry Commission with over 60 per cent of planted area will decline as a force. Even for the private sector the commission is now the main centre for the administration of grants, and the headquarters for research and advice.

The commission is currently trying to reduce its call on Government grants by selling some of its woodland. Around £56m was raised last year with the sale of 72,000 hectares. The commission has also cut costs through a reorganisation of its regional offices.

Scotland's fishing industry is not as straightforward as forestry. Accounting for the majority of fish landed in the UK, it bas been in considerable turmoil since the mid-1970s when, with the Cod War, Britain lost its distant water fishing fleet. Since then has come tha tortuous road towards a common fisheries policy within the EEC and measures to prevent overfishing.

According to The Sea Fish Industry Authority (SFIA) about 500,000 tonnes of fish are landed in Scotland, out of the UK total of around 775,000 tonnes. Over 7,000 of the UK's 16,300 fishermen are based in Scotland. Peterhead in North East Scotland is the top port in the UK in terms of the value of its fish landed. In 1982 £42.7m worth of fish came ashore, twice the value of second-placed port, Grimsby.

Marketing problem

A fundamental problem for the Industry, in the view of the SFIA is its lack of marketing awareness. This year the anthority launched two promotions to encourage sales of herrings and kippers, with a consequent large jump in sales.

The board would like the industry to be ready to increase the levy it pays, taking into account that forceful marketing can go a long in improving sales of fish.

Marketing improvements are being applied to Scotland'a agriculture, in an effort to improve the livestock returns for hill farmers. Hlli (Highlands and Islands Livestock Limited) was set up by the Highlands and Islands Development Board last season to add some competition to the auction and road side sales which work against tha small hill farmer.

The system has about 1,000 members out of the 18,000 hill farmers in Scotland and bas through direct sales to buyers improved returns by five to 10 per cent for some farmers.

THE ARTS

Coriolanus/Olivier

Michael Coveney

A mixed year for the National Theatre draws to a close with a really magnificent production of this great play in the Olivier. It is certainly the best Shakespeare production offered by the NT under Peter Hall, and in my submission, Hall's best production to date on the South Bank. In the title role, Ian McKellen scores an incontrovertible triumph, while as Volumnia, his mother, Irene Worth returns to the London stage in fine fettle, fine voice, fine presence.

The Olivier arena is cleverly, and with minimal fuss, turned into a theatre of war and more pertinently, a genuine discussion circle on the topics of democracy, political responsibility, the people's advocates and their representation in political deeds. A circular sand-pit yields to structural hints of a Roman amphitheatre onstage populated by 90 paying customers (almost a tenth of capacity) who bolster the crowd, applaud the processional arrivals of Coriolanus and his mother, and are generally, rather excitingly, part of the action.

They are guided by actors and the contemporary and historical worlds are gracefully elided in costumes that combine double-breasted suits with mauve silk togas. McKellen first appears, sauntering, in an impeccable white suit. He will later "banish" his fellow citizens in a natty brown jacket and spotted tie.

You enter the theatre to hear the wail of sirens and to witness a spectacle of actors and populace onstage that resembles an NT backstage tour possibly outstaying its welcome. It is pleasant in these moments to speculate on who is a real person and on who is an actor. Pleasant, and not difficult.

The Romans' adversaries, the Volscians, are led by Greg Hicks's cold and calculating Tullus Aufidius, younger than is usual; a piece of casting which lends his almost symbolic relationship with Coriolanus—not to mention that final, eruptive insult of "Boy of tears"— an added resonance. The Volscians wear black leather, slightly *Star Warrish*.

The past, present and futuristic is fused in this play, a fact to which the production is unusually sensitive and responsive. Take the tribunes, those cunning spokesmen of the people who vitiate Coriolanus's popular status as a war hero with the fanning of his past record on the corn provision. They are superbly played by David Ryall (who reminded an all too audible lady in front of me of Harold Wilson) and James Hayes. They wheedle and cajole their way through the evening. In a lovely touch, when McKellan is on the point of destroying the city from whic hthey banished him, these two have respectively taken to drink and been subjected to bloody abuse.

John Bury's set is dominated by a large reversible door: studded gold for Rome, harsh black for Antium and Corioli. McKellen will slither deftly in and out, abetted by Mr Bury's brilliant lighting, to transform his status from banished beggar to subversive infiltrator after the interval. It opens out, this door, too, to give us the battle at Corioli, lots of smoke and an orchestrated, harsh and even balletic fight choreographed by Malcolm Ranson to Harrison Birtwistle's metallic score (note the percussion chimes with the clash of shields).

McKellen is performing great physical deeds in this section, his white suit exchanged for masses of Kensington Gore (stage blood) and a loin cloth. On "Make you a sword of me" he is standing on a colleague's shoulders: in a wonderful echo, in the pleading scene, he lifts his own tiny son in just such a movement. The little boy raises a clenched fist at that heart-breaking moment of familial combustion.

On being dubbed "Coriolanus" with a fanfare, McKellen shrugs the honour off with "I must go wash." He finds comedy throughout the play, tripping the servants at Antium in that lovely, always surprising scene; playing the mock flatterer of public opinion when asking for the consulate; and shifting his weight to incorporate a shrug and a sulk whenever his mother tackles him directly.

The great first half sequence, for me, was the unstudied decline into a violently raving passion as the man who always speaks his heart, the man who loathes the idea of subservient, politic compromise in the name of expediency or even just moderate expectation. McKellen addresses Mr Ryall's tribune as "a Triton of the minnows" and is gripped by a choleric fever that leads to riot in the assembly and through the streets, with its perpetrator both innocent and out of control, both reverting to animalistic type yet puzzled by others' dismay. The theme is developed from the same actor's Platonov.

The domestic scenes are carefully prepared and beautifully executed, dominated of course by Miss Worth whose sudden emergence as a public hero in the processional pomp of red carpet and trumpets she greets with a mixture of rapture and bewilderment. The first great procession of the triumphant Coriolanus is a thrilling climax to the show's inventive use of the Olivier's characteristics. People stomp up and down aisles all evening, not at all embarrassingly, and the stage is awash with flying red banners, a huge red carpet and blazing trumpets (the garlsnded McKellen gains a hig laugh on bis under-cutting comment "No more of this, it does offend my heart.")

Ian Mckellen and Irene Worth

"There is a world elsewhere" comes echoing from offstage, and the riveting two hours to the interval are appropriately capped by Frederick Treves's really splendid and sympathetic Menenius (a wonderful role, here done full justice) disconsolate "Fie, fie, fie!" Brief, inadequate mention must also be made of John Savident's robustly accommodating Cominius and of the various senators and soldiers of Brian Kent, Peter Gordon, Basil Henson and Lewis George. This group comprises the basis of Peter Hall's company in the new five-company NT set-up. No masks. The omens are good. The trouble is, they now have this production to live up to! But this is a real company, and the speaking of verse is first-rate.

McKellan transmits brilliantly the reluctance of a thing of war to "incline" towards the people. He suggests the gulf between doing deeds that attract popularity and the responsibility of fulfilling what popularity entails. Shakespeare's play is an inexhaustibly fascinating text on this, and related, subjects. The richness is faithfully, and imaginatively, honoured.

At the centre, of course, a mother pleads with her son in front of the city he has returned to destroy. This scene is staged with daring simplicity of emotion and gesture. The womenfolk lie prostrate on the sand, the little young Martius standing, hands cupped in a violently contrasting image of innocent supplication. McKellan, unable to look, grabs Miss Worth by the hand after her great speech. The pause seems to last an eternity: "Oh mother, mother!" What is clear is that Coriolanus's inability to curb his public tongue has led to all this trouble. And what happens, after all this anguish and a piece of paper is proffered as a peace treaty? An assassination, that's what. Just like something on an airport tarmac, or at a festive parade. Soon done, soon forgotten. The world, as Aufidius more or less says, continues to turn.

Amsterdam/Colin Amery

A Dutch celebration

Last Friday there was a great feast held in Amsterdam. It took place under the dome of the old Lutheran church which has been triumphantly converted into a conference centre and banqueting hall by the Amsterdam Sonesta Hotel. It was an appropriate location for a farewell to Edy de Wilde, retiring as director of the Stedelijk Museum, because Sonesta hotels in Europa and America have a reputation for discriminating commissioning of modern art. Edy de Wilde has for the past 25 years made the Stedelijk in Amsterdam one of Europe's liveliest museums with a reputation for the high standard of his purchases.

To mark his departure from the museum he has arranged an exhibition entitled *La Grande Parade, Highlights in Paintings after 1940*. Sponsored by Philips, KLM Royal Dutch Airlines and the City of Amsterdam — it is a brave sweep through the works of some 40 of Mr de Wilde's favourite artists. It is not an exhibition based on an elaborate theory or one with a strongly didactic purpose. Its aim is to show the possibilities of paint as a medium for the expression of a vision.

As a show it is both conservative and optimistic. The quality of at least three-quarters of the exhibits is not in doubt, indeed here are many of the classics of twentieth century Western painting. Matisse, Bonnard, Picasso, Braque, Giacometti, Miro, Mondrian are seen with examples of more recent and less established painters' work. The excellent thing about the way this exhibition is arranged is that each artist occupies one room; sometimes small, sometimes large.

It is hard to forget the singing yellow of Bonnard's *L'atelier au mimosa* seen in the company of a late landscape and the mellow glow of *Nu dans le bain* — a Trinity of wonderful paintings that sets the level of the quality of the selection. When it comes to Matisse there are 20 of his works from a variety of public and private collections. The choice manages to illustrate perfectly Matisse's journey from oil paint to paper collage. "Cut paper enables me to draw in colour" he wrote and he brought together line and colour with consummate accurate simplicity.

The museum was lucky enough to acquire the grand collage, *The parakeet and the siren* one of the works that Matisse himself valued highly. It is an arrangement of cut paper in blue, pink, yellow, orange and green. The blue mermaid and the little bird sit amidst the prodigality of nature—part of a simplified imposition of order. It is a work that shouts in celebration of life and it is worth remembering that Matisse made this when he was 83.

The two other rooms of shrine-like importance are the rooms dedicated to Giacometti and Picasso. The absolute isolation of Giacometti's figures is always reinforced by seeing a group of his portraits together. A group of islanded souls has an intense potency. Like Picasso, Giacometti is linked to the mainstream of the European figurative tradition. The late Picassos in this show illustrate how effortlessly he absorbed and reinterpreted the solid traditions of European painting. This is a glorious room flooded with life—the earthy satisfaction of the *Melon eaters* confirms completely that paint can express and reflect upon the whole of man's existence.

Alongside these masters are the American minimalist painters and the leading abstractionists of the past few decades. You feel that they are there as part of the dialogue. The director of the Tate described this show to me as "very Dutch" because it is all about the continuing dialogue between humanism and abstraction. By assembling Ellsworth Kelly, Rothko, Stella, and Barnett Newman in the company of the European masters the debate is clearly spelt out.

What of the later painters like Schnabel, Keifer, Dibbets, Marden and Mangold—where do they stand? By being seen in such elevated company they sometimes acquire a stature they do not quite deserve. Certainly Keifer understands paint but his pictures are often solemn but empty. The "old" masters are the key to this show and the selection is sufficiently pointed and personal that even a painter like Braque has to be re-evaluated—not entirely in his favour. In fact the amusing Leger, *La Grande Parade*, which gives its name to the show now looks like a sophisticated poster. Time changes our perceptions—this exhibition helps to reveal lasting quality.

The Admirable Crichton/Manchester

B. A. Young

Barrie's seldom-seen and often cited fantasy blossoms at the Royal Exchange. The first act (it has four, but only one interval) is much funnier than I remembered; it is like one of Wilde's society scenes, but the jokes are better. Only at the end of the embarrassing 'servants' party given by the Earl of Loam is there any hint of the further, well-known developments. Then when the yacht has been wrecked and the family marooned on an otherwise uninhabited island, we see at once that abel hands are more than coronets and simple ability than Norman blood. It is hardly a moment before Crichton, the ever-competent butler, is in charge.

By the third act, they have been two years on the island and Crichton has not only won the love of Lady Mary (Janet McTeer first class in both her personalities) but begun to see himself as king of the island. The others work manfully, and womanfully, under his direction. The Earl, Michael Craig, disguised behind a grey beard, has lost the breeding of the first act and plays about like a little boy.

Barrie's attitude is basic snobbery, but he understands the ethics of the servants' hall as well as Wodehouse did. It seems natural (a word that takes on a sinister quality in this play) that Crichton and Tweeny should be content to go back to their old stations after the rescue by the Royal Navy.

But in this production, under the quadripartite direction of James Maxwell, Greg Hersov, Braham Murray and Casper Wrede, an extra complication has been added; Crichton and Tweeny are black. Of course, we will have to overlook this if westick rigidly to Barrie's script, and with the performances of Hugh Quarshie and Jenni George, the one reserved and dignified, the other happily vulgar, this is perfectly possible. But the colour difference helps us to understand the true horror that Edwardian audiences must have felt when they saw equality on familiar terms with the servants.

There is plenty of good playing in this very enjoyable production — Aden Gillett and Christopher Bramwel as Ernest and Maud Brocklehurst, two potential members of the Drones; Avril Elgar at Lady Brocklehurst, with her Bracknellesque inquest in the last act; Kevin Doyle as the cricketing parson.

Sleeping Beauty/Shaw

Michael Coveney

It all looked quite promising for the London Borough of Camden's pantomime in the theatre they now administer, the Shaw, but appearances are so often deceptive. That fine designer, Richard Bullwinkle, has provided a jolly one-dimensional set of turrets and towers, courtyards and kitchens, all painted yellow and ingeniously decorated with flying cloths and gauzes. There is a script by Graeme Garden, music by Denis King and a debut dame from Barry Cryer.

On Friday night Mr Cryer had lost his voice, a condition to which he made repeated referenre to the obvious pleasure of one or two close friends in the audience. The children tended to shuffle about and turn round quite a lot. They were cheerful enough at being addressed directly by the king (Peter Rutherford) who got off to a splendid start by walking on and telling us all to stand up without so much as a by your leave. And they smiled tolerantly at the gawkily over-elaborate, in truth messily unfunny, antics of Bob Goody as the palare factotum Pamplemousse. But contracts with the audience were continually being proposed that no one really wanted to sign. Mr King's music did not help matters along, in stark contrast to Brian Protheroe's engaging score

Mr Cryer ventured that the tale of the Princess Aurora and the fateful spinning wheel was "finger-pricking good."

What should the prince do with a stick of dynamite? "Bring it to Brighton" came a sturdily tasteless adult reposte. Thank you and goodnight. The prince escapes to fulfil his romantic mission. The script interestingly paints him as a Victorian pioneer who arrives at the tangled forest as a surveyor of railway tracks, pedalling both his wares and his bike ("It's Norman Tebbitt" was a slightly happier audience interjection). The show's one genuine highlight is the four-line song which, thanks to audience involvement, leads to the witty invention of the steam train.

The microphoning was haphazardly arranged, but even Jill Gascoine's brittle and tawdry wicked fairy Caribosse (more of a rough touch than a gentle one) overcame the obstacles, singing her lines effectively and slithering around in a plunging black slinky dress with scarlet facings, decorations neatly picked up in her occasional retinue of writing goblins.

The good fairy is Rosita Yarboy, the pleasant royal lovers Jane Arden and Tim Faulkner. Best of all, though, and seriously under-used, is that expert stalwart of music hall and panto, Toni Palmer, as the queen. The direction, disappointingly sloppy, is by another Joan Littlewood veteran, Murray Melvin.

Die Fledermaus/Covent Garden

By Max Loppert

The latest appearances of the wretched thing that the Royal Opera impudently miscalls *Die Fledermaus*, of little interest in itself, brings an opportunity to examine once again the artistic morass currently in existence at the Opera House. Ever since this deplorably successful attempt to reduce one of the masterpieces of operetta to the leveil of a Radio 2 variety revue was first shown there, in 1977, protest has been clear and unstinting. Yet, far from setting about putting errors right, the company trundles the show on each festive season, in limper and limper form (revived this time, if that is the *mot juste*, by Richard Gregson and Andrew Sinclair), as though it were one of the bright ornaments of the repertory. (Well, not *entirely* true: at least Orlofsky has been returned to his/her proper sex.)

What is centrally wrong with this production is that it operates on a tacit assumption that Strauss's operetta is really about nothing — Falke's giving away of the plot in Act 1 admits as much, and his repeated explanation of the joke at various points thereafter reinforces the admission. The current cast being composed almost entirely of native English speakers, the excuse for the yardage of jokey multilingual ysckety-ysck, limp before, becomes now untenable; a serious opera company must surely have switched to a decent English translation, using so promising a cast to undertake a "real" *Fledermaus* at last. It was interesting to note that Saturday's audience reserved its greatest warmth for Merle Park and Wayne Eagling in Ashton's ravishing "Voices of Spring" dance: during it, at least, the pretence of unfolding a plot is honestly dropped.

Brief notes, then, about the performers, for their lot is hard, and they deserve our commiseration. Thomas Allen's first Eisenstein was very attractive, not yet in focus; the familiar Rosalinde and Alfred of Barbara Daniels and Dennis O'Neill and the new Adele and Orlofsky of Elizabeth Gale (a delicious comedienne) and Hanna Schwarz are all resolutely lively, though none of the voices seems quite first rate. In this version Falke's is a beast of a role, and Russell Smythe did not disguise the difficulty. (Next time why not invite Terry Wogan to take it on? At least he might add some wit to the compère's function.)

Ferry Gruber takes over from Josef Meinrad the office of Viennese jail-comic in Act 3, idiomatically but not exactly sharply. Julius Rudel, one of the world's most experienced opera conductors, makes here his belated London debut. Act 1 was stiff, with the proper *rallentando* either absent or creakily inserted, but the music began to flow later on. A shortage of rehearsal time was evident on several fronts.

Feiffer's America/Hammersmith Lyric Studio

Martin Hoyle

Subtitled *From Eisenhower to Reagan*, Harry Ditson's revue-style compilation for the Hammersmith Lyric Studio's look at Jules Feiffer's angst-ridden America is just that: passages from the book of the same name are interspersed with dramatised strip cartoons, some dating back to the *Sick, Sick, Sick* collection that introduced Feiffer to Britain a quarter-century ago.

Feiffer's thumbnail sketches of each president, and his summary of the characteristics and morale of each era are trenchantly written. At first this flowing if conventional prose surprises, even the wispy *faux-naif* quality of Feiffer's drawings. However both social commentary and cartoon humour coalesce, products of the same spikily purposeful pen.

And spiky it is. Besides the obvious targets (the Ike Age marked "the death of language"; Ford came in "riding a wave of hopelessness. . . . He filled space like a vacuum"), liberal good intentions are not immune from sharpish comment. Kennedy—whose "foreign policy was influenced by James Bond"—is depicted as devoted to a chic magazine's eye concept of the radical. "Once The New Yorker had discovered poverty, it behooved JFK to invite it to dinner." If Nixon is "the Mozart of mediocrity," protest comes out not too well: "smugness passed for revolution."

With a likeable cast of North American ex-pats, the show recalls a thoughtful and sometimes oblique Rowan and Martin Laugh-In — apt enough for a society here seen as using television as conscience, Father Confessor and Big Brother. Some of it is very funny, as with the campaign to give nuclear fall-out a positive image that includes such TV programmes as "I Fell For Fall-Out" and the "Mr and Mrs Mutation" competition, designed to change the concept of beauty in America.

Lynn Seymour lacks the wistful dowdiness of the cartoon terpsichorean eternally dedicating her dance to the seasons or some passing zeitgeist, but her numbers, one suspects, are wickedly appropriate, though too many yield diminishing returns. Ed Bishop's Reagan is cruelly accurate in its dashing decrepitude, and one of the funniest moments comes in a parody of *On Golden Pond* where Peter Whitman's quacking vibrato is apposite to Nancy Reagan as played by Katherine Hepburn. Small, spare and sly, Mr Whitman can quiver with the down-trodden sensitivity of a Woody Allen or leer like a rat-fink; and contributes a memorable Henry Kissinger (arguably a combination of both).

The overall effect of John Barlow's production is to leave one longing for more variety of pace, tone and volume. At the moment this intelligent and literate show resembles the meeting of a fan-club; and may prove too rarefied for all but the most committed.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

December 14–20

Music

PARIS

Concerts Lamoureux conducted by Justus von Websky. Beethoven, Schubert (Tue). Salle Pleyel (561 0630)

Ensemble Orchestral de Paris conducted by Otmar Maga. Ivan Dremikov, piano; Richard Vieille, clarinet; Michel Denize, bassoon: Beethoven, Wolf, Strauss (Wed). Salle Gaveau (563 2030).

Nouvel Orchestre Philharmonique conducted by Marek Janowski, Teresa Zylis-Gara, soprano, Siegfried Jerusalem, tenor (Thur). Théâtre des Champs Élysées (723 4777).

Orchestre Nationale de France conducted by Riccardo Muti, with Irina Arkhipova and Sigmund Nimsgern, Radio-France and Sofia Choirs: Prokofiev (Thur). Salle Pleyel. (561 0630)

Emil Gilels, piano recital (Mon) Théâtre des Champs Élysées (723 4777).

Ensemble Intercontemporain conducted by Michel Tabachnik, New London Choir conducted by James Wood: Iannis Xenakis (Mon). Théâtre de la Ville. (274 2277).

Stuart Burrowes recital, John Constable, piano: Händel, Beethoven, Fauré, Strauss (Mon). Théâtre de l'Athénée (742 8727).

LONDON

London Gabrieli Brass Ensemble conducted by John Poole. Christmas music including Gabrieli, C.P.E. Bach and Malcolm Arnold, Royal Festival Hall (Wed).

Academy of St Martin-in-the-Fields directed by Kenneth Sillito with Stephen Bishop-Kovacevich, piano. Handel, Shostakovich/Barshai, Mozart and Haydn. Queen Elizabeth Hall (Wed).

Charles Ramirez, guitar. Purcell Room (Wed). (928 3191).

The King's Singers with the London Symphony Orchestra. Barbican Hall (Wed).

English Chamber Orchestra and Westminster Abbey Choir conducted by Simon Preston. Corelli, Pachelbel and Vaughan Williams. Queen Elizabeth Hall. (928 3191).

Ronnie Scott's Frith Street: Singer-entertainer George Melly with John Chilton's Feetwarmers. (439 0747).

London Symphony Orchestra and Chorus conducted by Richard Hickox with Richard Jackson, baritone. Rossini, Tchaikovsky, Vaughan Williams and Leroy Anderson. Barbican Hall (Mon and Thur). (638 8891).

London Symphony Orchestra and Chorus conducted by Richard Hickox. Elgar, Corelli, Vaughan Williams and Handel. Barbican Hall (Tue).

Royal Philharmonic Orchestra and Pro Musica Chorus of London conducted by Nicholas Cleobury with David Wilson-Johnson, baritone. Rossini, Britten, Prokofiev, Mozart, Tchaikovsky and others. Royal Festival Hall (Tue). (928 3191).

NEW YORK

Merkin Hall (Goodman House): Beverly Morgan soprano recital. Mark Pakman, piano. Tchaikovsky, Rachmaninoff, Prokofiev, Barber, Ives, Anyes Biggs (world premiere) (Mon); Stephen Kates cello recital. Margo Garrett piano. Boccherini, Bruch, Piatigorsky, Laderman (world premiere) (Tue mat); Western Wind Vocal Ensemble. Mixed programme of medieval Renaissance, early and contemporary American music (Wed); Music Spectrum. Folk Music and 20th century composers (Thur). 67th W. of Broadway (362 8719)

New York Philharmonic (Avery Fisher): Zubin Mehta conducting, Joseph Robinson, oboe. Wolf, Beethoven, George Rochberg: Oboe Concerto (world premiere) (Tue); Zubin Mehta conducting, Barbara Hendricks, soprano with New York Choral Artists conducted by Joseph Flummerfelt. Bach, Verdi, Mozart, Debussy (Thur). Lincoln Center (799 9595).

WASHINGTON

National Symphony (Concert Hall): Vittorio Negri conducting with Oratorio Society of Washington directed by Robert Shafer. Handel: Messiah (Mon). Kennedy Center (254 3776).

CHICAGO

Chicago Symphony (Orchestra Hall): Margaret Hillis conducting with Chicago Symphony Chorus. Bach, Parry, Poulenc, Honegger (Thur). (435 8122).

BRUSSELS

Palais des Beaux Arts (512 5045): Brigitte Engerer, Piano recital (Tue). Jeanette Pilou, soprano, and Erik Werba, piano – Debussy, Poulenc, Duparc, Fauré. Théâtre Royale de la Monnaie (Wed).

VIENNA

Moscow Virtuosi: Vladimir Spivakov, violin; Yurij Bashmet, viola; Antonio Meneses, cello; Mozart, Haydn and Tchaikovsky. Musikverein (Mon). (658 190).

Christian Krattenthaler, piano, Beethoven, Brahms and Chopin. Bosendorfer Saal (Tue). (656 651).

Josef Suk, violin, Josef Hala, piano. Dvorak, Janacek, Suk and Smetana. Musikverein (Wed).

NETHERLANDS

Amsterdam Concertgebouw. Quadro Hotteterre with Frans Bruggen. Frescobaldi, Mathesson, Scarlatti, Hindemith and Telemann in the recital Hall (Mon); Messiah performed by the choir of the Netherlands Handel Society and soloists, with the Amsterdam Philharmonic conducted by Jack Loorij (Tue); in the recital Hall (Tue) the Raphael Quartet. Beethoven, Britten; The Hagen Quartet with a programme of Schubert, Apostel and Mozart (Recital Hall Wed); Anton Kersjes conducts the Amsterdam Philharmonic in a Mendelssohn evening, with David Lively, piano, and vocalists (Thur). (718 345).

Rotterdam, de Doelen. The Raphael Trio. Schubert, Brahms, Dvorak (Recital Hall, Tue); Joop Schets conducts the National Philharmonic, with the Sursum Corda Oratorio Society and soloists, in Messiah (Thur); Guitar recital by Diego Blanco. Sor, Walton, De Falla, Albeniz (Thur) (142 911).

Utrecht, Muziekcentrum Vredenburg. Utrecht Symphony Orchestra conducted by Per Dreier, with Walter Doeykens, clarinet. Ravel, Nielsen, Grieg, Liszt (Tue). (314 544).

The Hague Congresgebouw. Edo de Waart conducts the Rotterdam Philharmonic, with Vera Beths, violin, and Wim Steinmann, piccolo. Vivaldi, Mozart, Beethoven (Thur). (54 8000).

ZURICH

Tonhalle: Tonhalle Orchestra with soloists including Lorengar and Gedda conducted by Christoph Eschenbach in Verdi's Requiem (Wed and Thur). (201 1580).

WEST GERMANY

Berlin, Philharmonie: Berlin Philharmonic Orchestra, conducted by Seiji Ozawa. Mendelssohn, Berg and Schubert. (Tue, Wed).

ITALY

Rome, Auditorio di via Della Conciliazione: Giuseppe Sinopoli conducting Schumann's Das Paradies und die Peri with the soprano Elisabeth Connell, also Anne Sofie von Otter (mezzosoprano), and Vinson Cole and Peter Wimberger (Mon and Tues). (654 1044).

TOKYO

Jorg Demus, piano: Schumann, (Wed, Thur) Ruderu Ichigaya Centre (483 0222; 233 1951).

Tokyo Madrigal Singers, conducted by Peter Kurosawa. Carols and seasonal madrigals. Admission free. Daichi Seimei Hall, Hibiya (Tue).

The Secret Diary of Adrian Mole/Wyndham's

Martin Hoyle

I first made his acquaintance in instalments on Radio 4, which would gratify Sue Townsend's pubescent literato: his farewell remark to us in this new musical version of the best seller reminds us that his happiness lies in the hands of the BBC.

Ms Townsend acknowledges the influence of Just William's creator, Richmal Crompton. While capturing the lopsided self-absorption of the juvenile mind, she lacks Crompton's ironic detachment. A conscious quaintness results. Spotty adolescents being deliberately funny are less engaging than when in dead earnest.

However, 16-year-old Simon Schatzberger is an endearing and thoroughly professional Adrian: a sad-sack schoolboy, perpetually stooped with worry, decent and put-upon—by the flighty mother who loads him with chores after her course in self-assertiveness, the school bully who extorts 25p a week "menaces money" and the smelly octogenarian he adopts and whose dentures he retrieves from the jaws of the dog (chewing them, not wearing tham). He burgeoning love for Pandora, a trendily radical schoolmate, coincides with his parents' break-up and reconciliation.

The dialogue relies much on brand names and familiar references — Sainsburys and The Guardian becomes almost Pavlovian laugh-cues—but at its best shows the irresistible inadequacy of truth. "You don't expect it in a cul-de-sac," marvels Adrian's mother on hearing that a neighbour has turned lesbian.

The chief characteristic of Alan Blaikley and Ken Howard's songs is their brevity. Two numbers stand out as actually furthering the story or developing character: a trio when Adrian and his parents separately muse on the impending rift and the duet where our hero rapturously pours out his heart only to be parried by Pandora (Katharine Schlesinger, pert and pretty) who has a free-loving Oxford revolutionary career all worked out. *Mrs Mole*'s penitent "Coming down to earth again" is a good show number. Elsewhere the cheerful or wistful tinkling does little to advance the action while always faintly reminiscent of something else.

The songs' inability to rise to the situation is illustrated by Su Elliott, a stick insect coiffed like a demented chrysanthemum, who has a Dickensian grotesquerie as the other woman consoling Mr Mole on the rebound. Marvellous looking, she is let down by a flat number that should have brought the house down.

The whole cast in this import from the Phoenix, Leicester, is excellent— Mandy Travis, as Adrian's renegade mother, all eyes and attack, must be seen again in material stronger than this pleasant, instantly forgettable, show.

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Telegrams: Finantimo, London PS4. Telex: 8954871
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Monday December 17 1984

An agenda for tax reform

THERE IS little doubt that the Government will announce some big tax cuts in the budget next March. Yet its commitment to serious tax reform looks much more questionable. Mr Nigel Lawson's sweeping overhaul of corporation tax last March was well received but the Chancellor now faces a more arduous task: the reform of personal taxation.

Mr Lawson's personal commitment to tax reform is not in doubt. He has helped to popularise a new tax philosophy: fiscal neutrality, the doctrine that taxes should not unnecessarily influence personal or corporate decisions, is fast gaining support. Unfortunately, the Chancellor's room for fiscal manoeuvre next March is being squeezed by the senior ministers and Tory backbenchers who cling to the old-fashioned belief that taxes should be used to encourage what is deemed desirable—for example, home ownership—and to penalise what meets with disapproval.

If Mr Lawson is to achieve durable reform, be must refute the seductive argument that fiscal policy should remain interventionist at the micro level. Although a case can always be made for particular concessions, the cumulative effect of well-intentioned intervention is unacceptable complexity, distortion and loss of economic efficiency.

The Chancellor might have found battles on particular fronts, such as pensions, easier to fight had he followed the example of his counterpart in Washington, Mr Donald Regan, and published a comprehensive set of proposals and criteria for tax reform. But this lacuna need not prevent Mr Lawson setting some medium-term goals next March.

The fundamental objective should be to broaden the base of direct and indirect taxation as and when this proves to be practical politics. The momentum of public spending programmes make this tha surest route to steadily falling tax rates. But fiscal neutrality also requires more specific objectives: at present, the tax system discriminates unnecessarily against employment, work effort and saving, and fails to compensate adequately for inflation.

The fiscal bias against jobs is most evident in the structura of national insurance contributions which act as a pure tax on employment. A long-term goal might be to incorporate national insurance into income tax proper, which, because it is levied on interest as well as wage income, is a tax on hoth labour and capital. In the shorter term, the tax could be restructured so as to stimulate employment, perhaps along the lines proposed by Professor Richard Layard of the London School of Economics.

A second priority is to reduce the disincentive effects of taxation, which bears unnecessarily beavily on earned as opposed to unearned income. The abolition of higher rates of income tax, for example, could be financed hy a much tougher regime for taxing the transfer of wealth. Inheritance is not the most efficient way of transferring economic resources. If higher rates were scrapped, capital gains could be taxed much more simply as ordinary income.

Incentive

The problem of incentives is equally pressing at the bottom end of the income scale. The raising of thresholds to disentangle the tax and social security systems is desirable, but it is not the most cost-effective means of alleviating poverty. A rise in allowances belps everybody: the efficient relief of poverty requires a more precise targeting of benefits.

A third priority should be a further shift towards indirect taxation. Any income tax involves the double taxation of savings — a serious distortion. An extension of value added tax would be a back door route to some of the benefits of the direct expenditure tax recommended by the Meade Committee. VAT is "regressive," bitting the poor barder than the rich, so any extension should be accompanied by appropriate changes in income tax to maintain the progressive nature of the tax system.

Fourth, as the U.S. tax reform proposal argues so eloquently, any commitment to fiscal neutrality remains skin deep unless the distorting nature of inflation even at 5 per cent is recognised. At present, about balf of the interest income subject to tax is fictitious, while about half of the interest expense relieved, including that on mortgages, is really repayment of capital. There is also little justification for the taxation of nominal, rather than real, corporate profits.

Fiscal reform is painful, so the present stress on tax cuts is unsurprising. But, in the longer term, reforms to ensure that decisions are based on economic rather than fiscal considerations may be as important as tax reduction. It would be disappointing if the momentum for reform, evident in Mr Lawson's first budget, were now to slacken.

Chink of light in Cyprus

SR PEREZ DE CUELLAR, the United Nations Secretary General, has skilfully opened up the prospect of a new dialogue between the Greek and Turkish communities on the island of Cyprus. It would, however, be rash to conclude that the dialogue, once it resumes, is sure to lead to a sable settlement. Historic animisities and recent rivalries are too strong to render success assured.

The task before Sr Perez de Cuellar and the leaders of the Greek and Turkish Cypriot communities, President Spyros Kyprianou and Mr Rauf Denktash, is to repair the damage caused in a flurry of events 10 years ago. In 1974, the then Greek dictatorship engineered a coup against Archbishop Makarios, president of a unitary Cyprus, and Turkey responded with a full-scale military invasion.

As a result the island was in effect partitioned. At least 170,000 Cypriot Greeks were driven from their homes in the northern Turkish-occupied section of the island. Long-standing enmities between Greece and Turkey, which regard themselves as the protectors of their respective cousins on Cyprus, were aroused.

Constant bickering or worse between Greece and Turkey, both members of Nato, cannot but threaten the effectiveness of the alliance on its south-eastern flank. A settlement in Cyprus would remove only one bone of contention between Ankara and Athens. But as events in 1974 and their consequences have shown, it is an important one. The fate of the island looms large in the national consciousness of both Greeks and Turks. A fair settlement there could at least help to reduce tensions between the two Nato members.

Much can still go wrong before the shadowy outlines that re becoming visible assume a firmer shape. Sr Perez de Cuellar has been working towards a federal solution in which foreign affairs and certain other key matters would fall under the jurisdiction of a federal government. In the federal parliament, representatives of each community would receive something like blocking rights on certain key issues.

Concession

Something along those lines has been talked about for several years, without there having been any decisive movement. It was only last month that the roadblock appeared to be lifted by Mr Denktash. He then agreed to return more territory to the Greeks than had previously been thought possible. He also ceased to demand that there must be two presidents of the federation, one Turkish, one Greek.

The territorial concession appears to be clear enough. As regards the presidency, all will depend on what Mr Denktash is ready to concede in detail. A vice-presidency with the powers of veto on policy and administration could be abused to paralyse the federal system and would not be acceptable to the Greeks without safeguards.

An assessment would be easier to make if there were more clarity about the outside influences that were brought to bear to help Sr Perez de Cuellar. The U.S. appears to have leaned on Ankara in the interests of greater harmony within Nato. Moscow also appears to have worked for a solution behind the scenes, perhaps because it prefers a non-aligned Cyprus federation to an island split between Greece and Turkey (or possibly even annexed to Turkey alone).

It may turn out to be the key question whether Ankara, with its influence over Mr Denktash, has shifted its position or has merely made a tactical move to gain sympathy in the world and improve its bargaining position. Should that prove to be the case the cause of stability in the eastern Mediterranean will not have been served. Only if the issues are faced rather than evaded can Sr Perez de Cuellar's work lead on to full success.

BAT AND HAMBRO LIFE

The dilemmas that lie ahead

By Barry Riley and Jeremy Stone

OVER THE weekend Britain's most successful insurance salesman sold the biggest life policy ever written. Mr Mark Weinberg, chairman of Hambro Life, has agreed with BAT Industries on a £664m price for the company he founded. BAT, one of the top five companies in the UK, has thus nearly doubled its year-old commitment to the financial services sector.

The takeover by BAT—which is agreed by major shareholders and the board—is plainly good news for Hambro Life shareholders, and will probably go down better with the 3,000 or so sales force than last spring's aborted merger with the financial conglomerate Charterhouse J. Rothschild, which threatened to bring huge management upheavals and unpredictable changes in direction.

Hambro Life's management team will now stay intact, and the company will be largely autonomous within BAT's financial services division.

All the same, the precise relationship with its new owners, and with its new fellow subsidiary Eagle Star, an even bigger purchase by BAT a year ago, remains to be established. And the underlying strategic dilemmas which have been faced by Hambro Life are not solved by this deal alone—although access to BAT's huge capital resources could make implementing the answers easier.

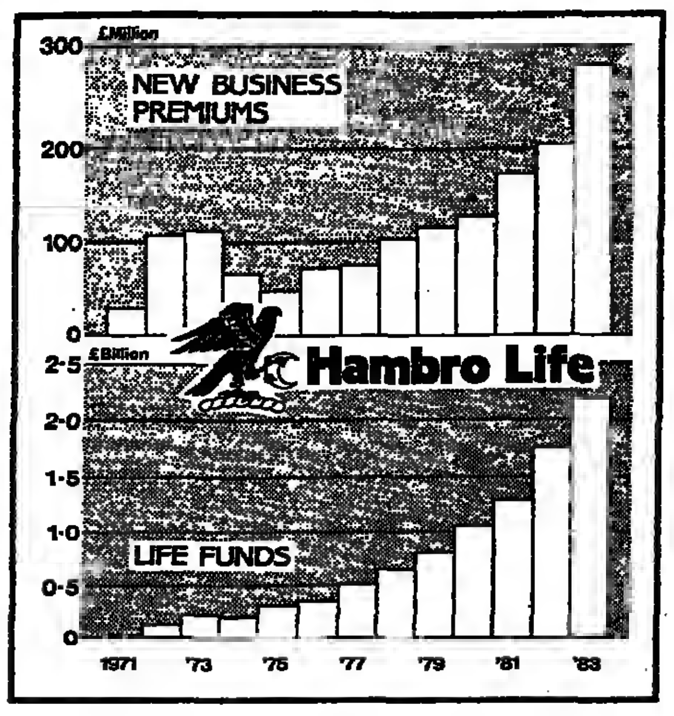
It was crucial to BAT that it should secure the commitment of Mr Mark Weinberg and his top management team, including Mr Weinberg's number two (and one-time Johannesburg schoolmate) Mr Syd Lipworth. In 1970, after all, largely the same team had walked out of Abbey Life after it had passed under the 100 per cent control of the giant U.S. conglomerate ITT. Abbey subsequently had to struggle to regain its former momentum (though it has picked up in the past few years).

The success of Hambro Life, which was largely financed by the Hambros mercant banking group in 1971 but which came out from under its wing in 1983, has depended very much upon thre creative flair of Mr Weinberg and the slick management of Mr Lipworth. Although open something of a maverick, Mr Weinberg has moved steadily closer to the mainstream of the life assurance industry.

A year ago, for example, Mr Weinberg was appointed to the five-man team which advised the Social Services Secretary Mr Norman Fowler on personal pensions. Last summer be was one of the group of 10 financial experts who advised the Governor of the Bank of England, Mr Robin Leigh-Pemberton, on a new structure for investor protection.

Since going public in 1976 Hambro Life has shown remarkable growth, bnt competition has also mushroomed in the unit-linked sector, and the company has begun to sbow signs of running out of steam. The abolition of life asurance premium relief in last March'a Budget bas affected its sales quite noticeably in the past six months or so.

Mr Mark Weinberg



Mr Patrick Sheehy

For several years, Mr Weinberg has been considering how Hambro Life could expand into broader areas of the financial services sector, and with this in mind he absorbed the Allied Hambro unit trust group in 1981 and a small licensed deposit taker called Dunbar in 1982.

By 1983 Hambro Life was ready to launch a "Financial Management Programme" aimed at wealthy individuals. The aim was to tie in a high interest bank account with a range of other investment services.

But at this stage Mr Weinberg's previously sure touch proved to be lacking. The FMP was something of a flop, pulling in only around 1,000 accounts on its first year, and although it was re-launched on a modified basis in October it still remains to be seen whether Hambro Life is yet anywhere near the right formula.

Mr Weinberg talks enthusiastically about the scope for marketing financial services on an integrated basis—satisfying the customer's need for insurance, life cover, mortgages and other loans, deposit facilities and investment advice without the need to trail around a variety of specialist outlets.

The concept of a financial supermarket intrigued Mr Jacob Rothschild, chairman of CJR, and the idea of a merger was born, supported by the fact that CJR itself was short of management in depth, and that Hambros was plainly a weak holder of its remaining 24.8 per cent stake in Hambro Life.

But the deal proved to be a dinner party concept that failed to stand up in the cold light of day. In the face of a sagging share price CJR soon backed away, though it will now make a healthy £40m profit on its Hambro Life stake.

Mr Weinberg was being proposed as the new chief executive and joint chairman of the combined group, with Mr Jacob Rothschild remaining as non-executive joint chairman. The plan was to develop an international financial network, including a strong presence in the U.S.

But a sceptical City of London was not convinced that the merger was a practical proposition. Meantime the Hambro Life salesmen were worried that their top management's attention would be diverted elsewhere, instead of being concentrated on delivering them a top quality range of products. And it is important to keep salesmen happy, given that it is easy for them to walk down the road to join the competition.

The deal with BAT is a mnch simpler change of ownership without the tangle of structural complications which threatened to result from the merger with CJR.

But from the initial publicity it does not look as though BAT will provide any direct assistance in extending the breadth of Hambro Life's operations. There is to be no marketing co-operation with Eagle Star for instance, even to the extent that Hambro Life salesmen would sell Eagle Star motor or bousehold policies, let alone in terms of dove-tailing of the two companies' mainstream life assurance and personal pensions prodncts.

This will leave Hambro Life still dependent on its effective but limited direct sales force at a time when Mr Weinberg's marketing ambitions are extending well beyond the bounds of his traditional product range.

Outsiders judge that the FMP has failed to catch on largely because it offers decidely modest rewards to a sales force which responds only to the much fatter commissions available on life business.

An effective marketing system for a broad range of financial services must not only deliver a great deal of expertise at the point of sale, but it must do so in product areas where commissions are modest.

BAT . . . now one of the top five players in the UK life assurance game

Mr Weinberg believes that big rewards await the innovator who successfully cracks the problem of retailing a range of financial services.

If Mr Weiberg finds that his schemes need more capital than originally envisaged, he has come to the right place. One of the biggest cigarette producers in the world, BAT has for years been using its historic strength in tobacco to buy a more diversified future. In the past year alone, the multinational group has invested in yet more paper mills and department stores, put money into an orange juice plant in Brazil, and cut its losses by pulling out of cigarette distribution—and food retailing—in the UK.

Overshadowing all of these manoeuvres BAT, in January 1984 plunged into the apparently alien business of insurance, paying almost £1bn for Eagle Star. With this weekend's agreed offer BAT has established itself as one of the top five players in the UK life assurance game.

The need to change the shape of the business has been accepted for many years, as the only way to secure its long-term growth. BAT'a basic business — tobacco — is a prodigious cash apinner, where the group is stil making about 70 per cent of its profits, bnt it is as mature as they come.

The pattern of diversification took a generally unexpected turn 12 months ago, bowever, when BAT joined the auction for Eagle Star, one of the largest composite insurance companies in Britain, taking in all the major categroies of business from life and pensions to motors and workers compensation.

Tha change of course had been planned for quite soma time. Mr Pat Sheehy, the chairman of BAT recalls that BAT bad needed "another growth activity in the developed world" and liked the idea of financial services because the group was such a heavy consumer of them. At the very least it would know something about its new products, even if there is a big difference between paying insurance policies and running a company that sells them.

One alternative, a joint venture in financial services in the U.S., had been considered four or five years before. But tnat idea was dropped , the company has since disclosed after discouragement from the then U.S. administration. Another possibility, building up a UK financial conglomerate by making a string of smaller pnrchases, was repectad as too demanding of central management time and unlikely to bring in the skills needed for success. In the end, BAT decided that it could only make a go of the financial industry by means of a very large takeover. In fact BAT is so big that even a deal as big as Eagle Star was not enough to satisfy its appetite in this sector.

The scale of BAT's strategic problem becomes clear when the likely benefits of the Hambro Life takeover are set against the purchase price. Eagle Star'e insurance business has added about 4 per cent to BAT's operating profit, with maybe another 1½ per cent to come from Eagle's industrial wing, Grovewood. So while BAT's acquisition of Hambro Life will cement the group's status in retail finance, the addition to pre-interest profits this year is unlikely to be much more than another 2 per cent. And it is admitted tht there will be some earnings dilution at first. But tha entire double-barreled operation may just about have created an entity large enough to make a contribution to group profits of around 10 per cent in a year or two.

BAT's stated plan is to run its two insurance companies independently, subject only to the strategic guidance of a new holding company board. This is fully in character for BAT, which takes decentralised management as a creed, preferring to kep its eggs in aeparate baskets. Yet the natural expectation outside BAT is that it will need to take a fairly direct hand in managing its new assets if "financial services division" is to be more than a label on an organisation chart. On this view, the next steps towards completing an integrated services empire would presumably involve buying some capacity for banking and security dealing services.

For the present, at least, it seems that nothing could be further from BAT's mind. "You don't necessarily want to do everything," Mr Sheehy said yesterday. "And anyway I'm not so keen on a great integrated affair." The scope for integration appears to be limited indeed. "Marketing synergies are often false," says Mr Sheehy. Ramming the two brands of insurance together might be "absolutely fatal" — as it would be if the company's Marshall Feild stores in the U.S. were forced to trade under the Saks banner.

But the question is bound to be raised whether BAT is not just making the best care for having bought two rather prickly companies, which are simply resistant to integration.

Ca nsuccess in financial services really be obtained this way? It is hard to think of any other major financial services conglomerate which is being built on the basis of subsidiaries that hardly talk to each other.

While there may be some rom for integrating the two insurance companies in the back office — at he level of computer systems and support staff — that will probably be as far as it goes as now. That does not, of course, prevent BAT from buying further financial companies, although the company hints that additions are more outside insurance and prabably outside the UK.

Men and Matters

Barclays needs a name

Barclays is preparing to invest £200m in its new securities operation with de Zoete and Bevan, and Wedd Durlacher. Bnt is still a bit atuck for a name for the combined company. At the moment it is known by the working title Newco.

Ideally they would like something that contains a bit of the thing that contains the names of all three. How about Barclays de Zoete Wedd (sounds like an exotic bouse trading in futures) or Bardewedd (might win the Bardic crown at the next Welsb National Eisteddfod? I gather that Barclays Durlacher de Zoete has been discarded even though it has a certain rhythm to it.

Barwedd and Bevan, Barclays and Dewe, or BZW, are all perfectly respectable ideas — but not perhaps apropriate labels for the white-heat of the newly forged City.

Sighing over their problems the creative men agree that a good outside suggestion might aven be rewarded with a bottle of champagne. But hurry. Barclays wants to announce the name next month.

Rothschild's week

It is not the good fortune of many men to be appointed chairman oft he National Gallery, and to make e cool £40m, all within a week.

But Jacob Rothschild, aged 48, chairman of Charterbouse J. Rothschild, has pulled off that rare double by selling his shares in Hambro Life — leaving the City more than curious about what he will be up to next wth his personally shaped and honed finance house.

Jacob Rothschild broke with the N. M. Rothschild family bank four years ago — indeed, he was forced to accept a "divorce settlement" by his cousin Evelyn de Rothschild, chairman of N. M. Rothschild.

Jacob bad joined the family bank (he is a great-great-great-grandson of the legendary Mayer Amschel Rothschild) at 23 after Eton and Christ Chnrch, Oxford, wbere be graduated with first-class bonours in history.

At N. M. Rothschild Jacob began to *crystallise his own* radical ideas of what a merchant bank should be shaping np to be towards the end of the 20th century. It was inevitable that sooner or later be would strike out on his own.

He bas thrived on risks ever since. One banker wbo knows hiw *fell says:* "*He is a com*bination of long-range thinker and opportunist." In that he is remarkably like the founder of tbe family fortunes judging by contemporary accounts.

Summer science

Short of ideas for a summer holiday next year. Then you may be interested in booking for a trip to Japan to visit what promises to be the world'e most interesting technological event sinca the Great Exhibition in 1851.

The occasion is Expo '85, to be beld in Tsukuba City near Tokyo between March and September. The organisers expect to attract 20m visitors.

Among the Japanese-sponsored exhibits are a "brain bouse" that will feature computer games and attempt to explain what goes on in people's minds, a novel sort of theatre in which the actors are mechanical robots, and a "technocosmos pavilion" to demonstrate space travel.

On a more prosaic level, parts of the exhibition will be devoted to water, steel and coffee-blending. IBM bas used its muscle to persuade the organisers to give the company its own pavilion, as have Japanese companies sucb as NEC and Matsushita.

Britain's role is being coordinated by the Central Office of Information which is spending £1.5m in an attempt to show bow science and technology brings benefits to the average citizen.

Star-gazer

Dr Henry *Kaufman, Wall* Street's guru of gurus, has not had a particularly successful year, be was predicting, like many others, that interest rates would move higher than they have done.

Stil, he remains the one real star of the U.S. financial markets, as he demonstrated yet again when he delivered his relatively optimistic views on 1985 to a packed ballroom at New York'a Waldorf Astoria.

After Kaufman stepped down from the podium, one of the financial newa wires felt obliged to report that what be said had not had much effect on *the markets— testimony to the* influence ha can wield from tima to time.

But most of the 800 or so journalists and admirers who came to listen were clearly there to watch a performance, and they were not disappointed.

Diminutive and professional, Kaufman has a great deal of stage presence, partly because of his evident mastery of complex material. His brief is not exactly the stuff that brings in Broadway crows, and he gallops through it at such a rate that it is difficult to believe tha most of his fans can follow the argument. But it is clear enough that he has ben through it step by step.

At the bottom line, as they say on Wall Street, there must also be more than a little return to be gleaned from this kind of bravura performance. Salomon Brothers, where Kaufman is said to bring in a seven-figure salary, is currently doing bettar than most on Wall Street. Its *professional reputation* bas been halped more than a littla along the way by Kaufman'a pronouncements.

"We've sold a lot of these recently—mostly to Sir Keith Josepb"

Eccentric tastes

The Eccentric Club in London's West End is closing for a year. When it re-opens it will be a different place. Around half the 800 members will have departed in high dndgeon—disagreeing with the aim of the new management to turn what has been one of the dreariest of London's establishments into a smart new club (part hotel, part media centre) on the lines of the nearby St James's Club.

New president Lord Montagu bopes that the new membership will consist of actors and artists and lively types generally, happy to pay £275 a year membership for a club with a running buffet, an audio visual room, and bedrooms at almost half the prica of surrounding botels.

Much of the £2m redevelopment money will be spent on turning the clock back—not the clock in the Owl's Roost Bar which runs backwards, the Eccentric Club's only nod towards untoward behaviour—but the actual look of the place. The aim is an Edwardian retreat.

There could be dangers here: when the nremises were authentically Edwardian they were used as a "maison de rendezvouz."

Observer

FOREIGN AFFAIRS: THE FALKLANDS

A solution made in Hong Kong

By Ian Davidson

THE REPORT of the House of Commons Foreign Affairs Committee on the Falklands is a wonderful monument to English amateurishness. It is loyal and patriotic; pragmatic and realistic; constructive and *well-meaning*; and *hopelessly* muddled.

On the one hand, it supports the British Government in its refusal to negotiate with Argentina over the aovereignty of the islands, and praises its wisdom in seeking to make progress through 'practical and sensible' arrangements for relations between the two countries.

On the other hand, it argues that an "accommodation with Argentina is not only inevitable, in view of the cost of the present policy to the United Kingdom, but also desirable if the Falklands are to have any prospect of long-term economic prosperity and political stability."

It is arguable that the British Government is on a hiding to nothing

The committee questions whether either country has an unanswerable legal claim on the islands, and maintains that Argentina's claim was seriously weakened by the invasion.

Yet far from offering a scintilla of evidence that this unsupported assertion is accepted in Argentina, it reminds us that the new, democratically-elected government of President Alfonsin is just as committed to a (peaceful) claim over the islands as was the infamous military junta which resorted to force.

It demolishes with ease the nonsensical assertions by the Government, at the time of the conflict, that the wishes of the islanders must be paramount, since they cannot take precedence over the sovereign autbority of Parliament; Article 73 of the United Nations Charter requires colonial powers to recognise the interests of local inhabitants, but it does not even refer to their wishes.

Yet while it recognises that the principle of self-determination is so franght with difficulty of interpretation that it is better regarded as a "political axiom" rather than a legal right, it goes on to assert that "the Argentine invasion must be regarded as baving greatly strengthened the force of that axiom in the case of the Falklanders."

The most important practical and political consequence of the Falklands War was that it brought about the collapse of the Argentine junta, and led to the democratic election of the civilian Radical Party. While this is a welcome turn-up for the books, it is not regarded by the committee as any grounds for thinking that sovereignty might once more be on the agenda, as it was for 16 years before the 1982 invasion, because the committee is uncertain whether this civilian regime may not be toppled by its domestic political and economic problems, and replaced once more by an undemocratic military regime.

In September, during the UN General Assembly in New York, *President Alfonsin* held out the promise of a delayed return of sovereignty: "We could accept that tha islands are returned to us in five years, three years, but not in 29 years." Some people, inclnding Mr David Steel, leader of the Liberal Party, would regard this as an interesting opening bid which might, just concelvably, contain the seeds of all sorts of possible compromises, once the question was explored.

Yet the committee'a conclusion is quite different, and unexplained. "This does not appear to us to offer the prospect of negotiations without preconditions, and the scope for compromise appears remarkably limited. "If a negotiation without preconditions is one which must contaln the possibility that Argentina would renounce its claim to the islands, then we are on a hiding to nothing.

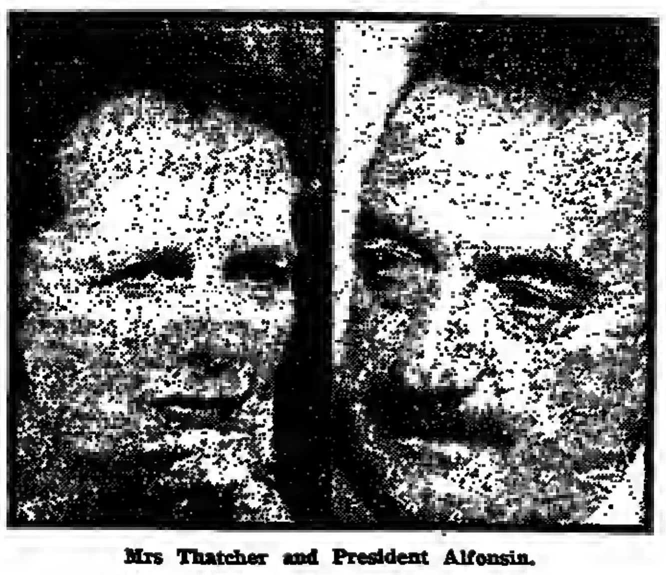
Indeed, it is arguable that the British Government is on a hiding to nothing in any case. The military defence of the Falklands is costing e fortune: this year it will have amounted to about £25,000 for every man, woman and child on the islands, end even though the completion of the new military airfield will allow a significant wind-down, the 10-year defence bill will still be £3.2bn. Yet it is not entirely clear what this vast expenditure is for.

The committee is absolutely clear that "in the long run a *solution ecceptable to* the *Falklands'* immediate neighbours is essential to the Islanders themselves; their prosperity must depend on having decent relations with Argentina. The militarisation of the islands may be a (very expensive) insurance against another invasiion, but it does not provide for a decent future for the islanders.

The trouble, it seems to me, is that the British Government does not have, or at least bas not articulated, a plausible long-term strategy for the Falkland Islands. In the excited flag-waving after the conflict, incautious ministers committed themselves to categoric assertions about British sovereignty and the paramountcy of the islanders' wishes.

Yet there is now, in calmer times, no suggestion that possession of the islands is a vital national or strategic interest apart—and it is, of course a very important proviso —from the safeguarding of the islanders' interests. Right now the islanders may be very leery of any deal which might sell them down the river; but unless there is a deal wbich satisfies Argentina, their future can only be uncretain, and may be bleak.

The Argentinians, for their part, can have no possible incentive for renouncing their claim to sovereignty, or for withdrawing their demand that the question should be on the agenda for negotiations. Their *military re-equipment* programme, which followed the war, is substantially complete, and they do not face any major long-term economic costs as a result of the stand-off with Britain.



Mrs Thatcher and President Alfonsin.

Naturally, President Alfonsin's government would like the restoration of good relations with Britain, but it can afford to wait because all the economic and political costs of deadlock are on the UK and on the inhabitants of the Falkland Islands. After the war, Lord Shackleton recommended a series of development programmes, without which he predicted the intenral collapse o fthe Falklands economy "in the next five years or so." But the government's response to his *recommendetions has* ao *far* been sluggish and incomplete, and the committee warns that time is running out for the establishment of a viable economy.

Moreover, pressure is also likely to build np from other governments. In 1982 and 1983, the United Nations passed resolutions calling on Britain and Argentina to negotiate on the sovereignty issue, and with tbe passage of time impatience is likely to grow, not merely from traditional third-world opponents of "colonial" powers, but also from pro-western and pro-British governments.

It is quite possible for Britain to ignore such resolutions, but it will not be comfortable if its friends, especially those in the European Community, start voting against it. And sympathy for the Argentine demand is likely to be intensified by the restoration of democratic government in Buenos Aires, as well as by the knowledge that Britain bad been negotiating with tha junta until shortly before the invasion.

Even if the British Government draws the conclusion that it cannot indefinitely exclude the question of sovereignty from negotiations, and that it cannot secure the interests of the islanders without negotiations, it must still make sensitive calculations about timing. Whatever resolutions may have been passed in the UN in 1982, no one could sariously have expected tha Britisb Government to resume negotiations in the immediate aftermath of a bloody war. Two years later, however, that particular argument sbould be starting to evaporate.

On this, as on so many other aspects of the case, tha Foreign Affairs Committee appears to hold two contradictory views. On the one band, it claims that the time is not yet ripe; on the other, it asserts that time is running out, aod implies that President *Alfonsin's* honeymoon may be the most propitious momeot of all.

Unless one asumes that there mere passage nf time will weaken Argentine insistence on the sovereignty issue—which is much the least likely hypothesis—it is bard to imagioe what could bappen which would make the time riper.

Three possible explanations for the Britisb Government's rigidity suggest themselves. Perhaps Mrs Thatcher, having so flamboyantly wrapped the flag of victory round herself in 1982, now feels that her personal position is indissolubly linked to the maintenance of British sovereignty. Perhaps she and her ministers fear that "people" would not like it if the Government started negotiating with the defeated enemy. Or perhaps, despite their recent qualifying remarks about the sovereignty of the Britisb parliament, ministers are really shackled, as their predecessors were between 1966 and 1982, to the proposition that the islanders' views are paramount.

If the first or third of these possible explanations is at all near the mark, then the problem is insoluble. Another prime minister might be less personally mortgaged to the Falklands campaign, but if the islanders know they have a veto, they will certainly use it —unless the British Government's dilatoriness in following the Shackleton recommendations looks like precipitating a collapse of their economy.

On the other hand, I find it hard to imagine that there would be a large popular outcry against negotiations on sovereignty. The soldiers and sailors of the Task Force did not fight and die for the preservation of sovereignty, but in order to defeat the Argentine invaders and throw them off the islands. What happens thereafter is a question of an entirely different political order, as we know from our post-war reconciliation with the Germans. Last week's TV programme Brass Tacks showed that even the parents of those who died recognise and accept the need for negotiations.

The question of long-term guarantees for the islands

If there is to be a negotiation, it will have to distinguish the question of sovereignty from the question of long-term guarantees for the interests, the autonomy and the life-style of the islands. How such guarantees could be underwritten is obviously the central issue, but the British Government has already set an inspirational precedent in its agreement with China over Hong Kong, which contains detailed guarantees lasting 50 years after the surrender of sovereignty. Mrs Thatcher signs that agreement in Peking this week.

So when President Alfonsin invokes the notion of a Hong Kong type solution, as he did three months ago, why not find out what he means? Simply to fall back on the doctrine of unripe time is no solution to anything.

Lombard

European growth sought by Fed

By Samuel Brittan

IT IS not until February that the U.S. Congress will hear from Federal Reserve chairman, Mr Paul Volcker, about the Fed's proposed monetary guidelines for 1985. But although it will be two months into the financial year, the financial community will somebow manage to keep going despite the suspense.

For although the Fed does not have a formal medium-term financial strategy of the Britisb type, it does have a fairly stable *policy* approach, despite different emphases by different members of the Open Market Committee. A further element of continuity resides in Paul Volcker himself, who was reappointed by President Reagan last year, and who, contrary to some earlier misleadiog reports, haa every intention of staying in his post for quite some while. He is reinforced in his intension *by seeing how many* European central banks (for example France, Switzerland and Britain) have lost long-time heads and are under relatively untried leadership.

Discusion of the Fed policy stance is confused because the majority of market observera follow interest rates, while some of the more academic analysts prefer the money supply. But wbat the Fed's statemen lie awake at night thinking about is neither of these, but the state of the U.S. economy—botb real output and prices.

They take the slowdown in the U.S. growth rate seriously, particularly the leakage of demand into imports represented by the $120bn per annum current account deficit. Should growth look like slipping seriously below the 3-4 per cent rate, the Fed would be prepared to take supportive action—i.e. pump reserva into the banking system and allow interest rates to fall—on one condition. That is, of course, that inflation does not stray too far outside its present underlying 4 per cent —which it would if the dollar fell very sharply.

Puttiog together the Fed's views on real GDP and inflation, one comes out with a nominal GDP objective of about 8 per cent for 1985—down from the temporary high of 11 per cent or so in 1984. The main reason wby Mr Volcker is reluctant to base his published targets on nominal GDP is a fear that they will—like the money supply—be interpreted overliterally and in a short term and fine-tuning sense which in practice means presure for an inflationary stimulus every time there is a temporary shortfall.

Concern in the Fed is, however shifting from the domestic economy to Europe and Japan. Even the OECD's revised forecast of 2½ per cent European growth in 1985 does not seem an adequate contribution to sustaining the world economy and the less developed countries, when U.S. growth is slowing down.

The Fed can hardly press looser and cheaper money on other central banks that fear further depreciation of their owo currencies against the dollar. (*The Bundesbank has* just announced a slightly reduced monetary growth range for next year which it claims will not be more restrictive.) As a result, U.S. observers have to fall back, uneasily, on the observation that European budgets are not in deficit on a cyclically adjusted basis.

The case for a fiscal stimulus is seen to be strong in Germany and Japan where inflation is low or falling (around 2 per cent) rather than in countries with structural wage inflation problems such as Britain.

The best development from the central bankers' viewpoint would be a modest and gradual fall in the dollar. This would encourage European central banks to ease their policies, and start the process of correcting the U.S. payments deficit.

Whether a soft landing for the dollar will occur is anyone's guess. But a conclusion does emerge if one puts together the Fed's internal and external preoccupations. This is that, although the Fed has always seen a connection between the U.S. budget and balance of payments deficits, the alarm and urgency have well and truly shifted to the balance of payments side. If Mr Volcker were addicted to adapting St Augustine he might say: "Bring me a lower dollar, but not too soon or too sharply."

Letters to the Editor

Dual resident companies

From Mr F. Hayes.

Sir,—Having had the opportunity of examining the Inland Revenue's latest consultative document on so-called dual resident companies, I was disappointed to find that changes advocated will generate considerable benefits for the Internal Revenue Service of the U.S., without any quid pro quo in the form of, dare I say it, unitary tax concessions or any real benefit to British industry or the Exchequer.

United Kingdom based multinationals have always been able, indeed in the past have been encouraged, to borrow monies in the UK and take relief for the interest, and to invest the borrowed funds abroad in a manner such that, because of credita for foreign taxes, the return on funds invested generates little or not UK taxes. This is presumably because the long term benefits of foreign equity investments are accepted as being worth the shorter term cost of conceding tax relief on the interest paid. What seems clear enough is that where foreign rates of tax and withholding tax take the double tax credit over the UK tax rate (as has generally been the case in the U.S.), the Inland Revenue stands to collect little or no immediate benefits from the exercise.

A UK based multinational using e dual resident normally improves the Excheqner's prospects in three ways: (a) it succeeds in saving substantial U.S. taxes; (b) it thereby reduces the double tax credit available to it and brings into charge to UK tax income, or potential income, from which otherwise the Inland Revenue would have stood to derive little nr no benefit; and (c) it *remits* back to the UK a substantial part nf the tax saving which would otherwise bave been paid over to the U.S. Exchequer.

The Revenue's figures suggest that UK multinationals have created interest relief approaching £250m per annum. On this basis the benefit to British industry from savings of U.S. taxes is probably in the region of £120m per annum with little enough additional UK taxes being paid if the arrangements were unwound.

The Revenue is, perhaps understandably, somewhat miffed at the fact that it is not participating directly in the immediate benefits. There is no question however from my experience that its tax collections overall will be enhanced rather than reduced by British industry's use of dual residents.

I fear that unless UK multinationals start to show enthusiasm for planning foreign taxes with the main object of benefiting the British taxman, this benefit to the economy of the country will be lost, yet another favour it would seem we are doing for the U.S. Treasury.

The document seems to make the assumption that because the dual resident happens to be subject to tax in another jurisdiction it is therefore reducing UK taxes below what they would otherwise bave been. It is open to e multinational to finance its investments, either in the UK or in the U.S. with a UK resident holding company and having the place of incorporation of a company in the State of Delaware makes little or no difference to the UK tax liabilities.

It is rather distressing to find the Inland Revenue taking a narrow view of arrangements *which really do not make* a significant difference to the Exchequer and proposing changes which will do more harm than good to the UK. On their own figures the damage could be as much as £100m.

F. B. Hayes.

Coopers & Lybrand, Abacus House, Gutter Lane, E.C.2.

Incentives for the young

From the Chairman, Engineering Industry Training Board

Sir,—Your leader (December 5) "Incentives for youth training" makes a point about the youth training scheme on which I would wish to comment. You *state* correctly that "YTS was designed to provide youngsters with broad-based transferable skills"; and you go on to say "it is arguable that a year is the maximum time which should be devoted to this."

I agree with this statement but not with its implication; for YTS can be developed so that it not only provides broad-based transferable training but also the introduction to the skill-specific training which you agree young people would benefit from.

This type of training has fallen disastrously in the recession. Recruitment for first year craft and technician apprentices into engineering in 1983 was 8,000 compared with a figure of 24,000 in 1978.

Taking account of the changes in recruitment caused by technology and also the reduced levels of employment in the industry, we in the EITB estimate that the industry should be recruiting about 13,000 craft and technician trainees if it is to avoid shortages in the future.

So what is the answer? It lies in developing YTS in the manner set out in the scheme entitled "Registered youth training in engineering" (RYTE) which the Manpower Services Commission and the EITB are now introducing on a pilot basis for 1,000 trainees in the industry. This scheme ensures that the wider objectives of YTS will be achieved along with the more occupationally-based requirements for the engineering industry in such a way that further skill-specific training can take place after the end of the first year. It will be *possible* to extend RYTE and steadily upgrade the training offered so that young entrants will receive either modular training leading to the certificate of craftsmanship or training for the more limited skills suited to their abilities.

Thus, the answer to your request *for* new ideas to reduce youth unemployment lies in the extension of YTS, in one form or another, to two years. No other method at present offers the opportunity to combine an economic good (more skill-*specific training for more young* people) and a social good (reduction in unemployment) in a manner which makes use of existing facilities — and is therefore cost-effective.

(Sir) Richard O'Brien.

140, Tottenham Court Road, W1.

A new economic theory

From Dr D. Pickard

Sir,—John Cherrington's plea for a new economic theory (December 7) because be does not like the laws of economics is completely unrealistic. He might as well seek an alternative to the law of gravity.

Market forces can operate in a beneficial manner, provided that they are not bindered by monopolies or aberrant tax laws. It is nonsense to blame the laws of economics for the depression of the 1930s. The seeds of depression were sown in the 1920s by speculative rises in land purices and high rents. Our present difficulties have a similar origin.

Tax laws which favour speculation in land and which dis*criminate against* the wage earner will continue to jeopardise the market for agricultural (and other) produce. The major reason why millions are starving is not because of distribution problems—it is because most of those people do not have access to land and of those who do, many suffer under exorbitant rents.

Perhaps if Mr Cherrington had read "Progress and Poverty" by Henry George, be would be seeking closer adherence to economic laws instead of making his pathetic call for a new economic theory.

(Dr) D. W. Pickard.

Lane End Farm, Denton, Ilkley, West Yorks.

Mismanagement of stock

From Mr L. Miles.

Sir,—I was both saddened and amused by Sue Cameron and Andrew Taylor's piece (December 10) on *stock* mismanagement in Whitehall. As general manager of Shell UK's purchasing and materials business for seven of the last eigbt years I spent several days of the years 1981-1983 giving informal lectures to senior civil *servants* on the methods and systems used by Shell to run its materials management business. These talks were always given at the reqnest of HM Government and were invariably well received and well understood by the bighly intelligent people who attended them. I was, however, left in no donbt in discussion afterwards that there was no possibility of introducing any of the concepts illustrated. Either there were too many people to convince or their business was too "big." Neither of these "excuses" would bave been acceptable to the board of Shell UK.

What every government department needs to recognise, and recognise quickly, is the need for education. Education in the materials business. You cannot attend school, college or university and understand all the aspects of the "*materials*" business. *There* are a large number of institutions where one can become proficient in some aspect of this complex activity but nowher can you learn the lot. This is where Shell and a few other oil companies have scored by teaching the subjects themselves.

L. F. C. Miles.

36 Kiln Lane, Farnham, Surrey.

Efficiency unit lives on

From the Head of the Efficiency Unit

Sir,—I read with interest your headline, "Whitehall replaces efficiency unit," (December 13). As Mark Twain cabled to Associated Press, "Reports of my death are greatly exaggerated." I assure you, the Efficiency Unit is alive and well aod very busy.

Ian B. Beesley.

70, Whitehall, SW1.

FINANCIAL TIMES

Monday December 17 1984

Terry Byland on Wall Street

Keeping the bears in check

A CASE can be made for admiring the resilience of the New York stock markets, or for bewailing their irresolution, depending on which Wall Street analyst is consulted.

On the one hand, the market has not really suffered very much since the end of October, despite the growing apprehension of an economic slowdown. On the other, stock prices have benefited little from falls in interest rates – last week saw the Dow average shrugging off two days of improvement in the bond market.

This ambivalence in part reflects discounting of bearish factors that has already taken place. Warnings of a slowdown in the economy, or of adverse recessionary effects on next year's corporate earnings figures, have come from nearly every brokerage analyst.

Falling interest rates, however, are not enough. Wall Street wants to see the Federal Reserve at work lowering interest rates, perhaps by cutting discount rate, as Dr Henry Kaufman predicted a week ago.

The consensus view of the market analysts avoids the most bearish attitude towards the stock market. Mr David Levine, of Sanford C. Bernstein, comments that housing and car sales – the two sectors usually blamed for recessionary trends – have not declined that much. He regards the threat of recession in the U.S. as the most serious threat to corporate earnings in 1985, and thus to any upward movement in stock prices.

Smilen Safian, compiler of the dual market principle report, also drew back from deducting the worst case scenario from its general view that an important business slowdown was taking place.

They believe that a new economic environment may be developing, leading to stable inflationary trends as well as lower interest rates. Against this backdrop, they do not expect a large business recession to develop.

At First Albany, Mr. Hugh Johnson takes the view that corporate earnings will continue to grow in real terms while inflation remains subdued, and that this will enforce an improvement in share prices.

At Goldman Sachs, Mr Leon Cooperman has long maintained a cautiously optimistic stance on equities. In the firm's analysis of market prospects for December, he points out that a combination of lower interest rates and a "respectable economy" in the near term cannot be dismissed. That would help stock prices, he said.

Other constructive factors would include stability in the dollar, progress on the federal deficit, further falls in interest rates and some recovery in retail sales. The sharp gain in November retail sales reported last week might be the first plank of support for Mr Cooperman's more optimistic view.

He advises clients to add modestly to cash balances in order to be ready for any parking of funds in the markets. Funds investing across the full range of the market should keep about half their portfolios in equities but increase cash holdings at the expense of a minor reduction in property.

He advises that cash flow investment into fixed interest investments should be directed entirely to short-dated maturities – perhaps three years.

Mr James Ehlen, the Goldman Sachs analyst on the financial sector, continues to recommend a re-rating of money centre bank stocks, which have already established significant recoveries on the view that selling had been overdone. Bank stocks now sell at around 75 per cent of the earnings multiple on the Standard & Poors 400 index.

This is still on the low side of past experience, which has seen bank p/es rise to 80 per cent or 110 per cent of the S & P multiple.

While Mr Ehlen remains wary of the Latin American debt problems, he believes that on price considerations alone, portfolios should be increasing holdings of the big money centre issues.

He warns that the market is fast catching up with the improved fundamentals of the savings and loan stocks, which have been a big beneficiary of the slide in interest rates.

The best-managed groups, which Mr Ehlen identifies as Golden West financial and home federal, have maintained adequate capital levels during the recent growth period. The current check in savings and loan stock prices, however, could be an opportunity for trimming port folio holdings.

The sharp increase in retail sales reported last week should have been goods news for the stock market, just as it was bad news for the bond market. Strong consumer spending, leading to a resumption of economic expansion, should be good for corporate profits and not so good for interest rates. The stock market, including the retail sectors, seemed unimpressed, however.

MINISTER ATTACKS FRENCH ECONOMIC POLICY

Rocard issues challenge on jobs

BY DAVID HOUSEGO IN PARIS

M MICHEL ROCARD, the French Minister of Agriculture and the most popular Socialist leader, directly challenged President François Mitterrand's authority at the weekend by proposing an alternative economic policy to bring down unemployment that would include a widening of the budget deficit.

In a speech to a special party convention at Evry outside Paris M Rocard criticised the orthodox monetary and fiscal policies initiated by M Jacques Delors, the former Finance Minister, as being too costly in terms of loss of output and jobs.

He proposed instead what he said would be non-inflationary measures to encourage growth and reduce unemployment.

M Rocard's remarks, coming at a low point in the party's fortunes, were clearly intended to position him as a future leader of the party and a presidential candidate should the left be routed in the parliamentary elections of 1986.

M Laurent Fabius, Prime Minister and also a candidate for the future leadership of the party, used the occasion to open the Socialist campaign for the elections by challenging M Raymond Barre and M Jacques Chirac, the two opposition leaders and prime ministers under former President Valery Giscard d'Estaing, to a public debate on their record and policies.

The theme of the convention was "modernisation and social progress" – a euphemism in the party for industrial restructuring and the impact of jobs.

M Rocard was listened to attentively by the delegates and in glacial silence by the party leadership.

Afterwards M Lionel Jospin, party first secretary, attacked Mr Rocard in a winding up speech by expressing his surprise that a member of the Government should speak of its publicly being "discredited" and accuse it of not having "embarked on the battle against inflation."

M Rocard said later he "did not despair" of President Mitterrand listening to his proposals. They stand scant chance of being accepted, however. Mr Rocard, a former rival to President Mitterrand as the Socialist presidential candidate, was refused the post of Minister of Finance in July, and his followers have been squeezed from influential positions in the administration.

His strength is that he remains the most popular Socialist leader in the opinion polls.

The key element to Mr Rocard's proposals would be a FFr 20bn-30bn public investment programme in energy savings designed to stimulate activity and hence employment while reducing the trade deficit by cutting oil imports.

He would supplement this by tax cuts for the export industries and increased financial assistance to companies to help them strengthen their export network.

M Rocard's idea is that any boost to economic growth must at the same time be aimed at improving France's external payments position.

M Rocard said yesterday the net effect of his proposals would be to add 0.2-0.3 of a percentage point to a budget deficit now equivalent to 3.3 per cent of GNP.

Government economists said the programme would add more than a percentage point to the budget deficit and be highly inflationary.

In M Rocard's view the inflationary effect would be offset by further cutting household purchasing power and by substantially consolidating companies' debt to reduce their financial charges – hence enabling them to lower their costs.

M Michel Rocard

International oil groups keen to take up North Sea licences

BY DOMINIC LAWSON IN LONDON

THE DEADLINE for applications to join in Britain's ninth round of offshore oil and gas licences falls today, amid clear indications that the international oil industry is keener than ever to explore UK waters.

The British Government has offered 195 blocks and originally said that it might attract sufficient support to licence about 80 of them. The response from the oil industry, however, has been so favourable that it now seems possible that anything up to 100 blocks could actually be awarded.

The main feature of the ninth round is that the UK Department of Energy is offering about 90 of the blocks in the deep and almost unexplored areas off the west coast of Shetland and the Scottish mainland. In an effort to lure the oil companies into such hazardous waters, the Government made it clear that volunteers would be treated preferentially in the allocation of more obviously desirable blocks.

An important boost for the British Government's plans came in August when British Gas revealed that it had made a significant pioneering gas discovery west of Shetland.

Other, less hazardous frontier areas are on offer, notably in the Irish Sea, the Celtic Sea, and the Cardigan Basin. Blocks in the English Channel are also offered and it is here that one of the biggest contests of the ninth round will take place. Blocks 98/8 and 98/7 lie just offshore from the big onshore Wytch Farm oilfield and have been opened up for bids. The heavyweight contenders appear to be the existing Wytch Farm consortium, led by British Petroleum, and an alliance of Britoil and Shell.

The ninth round is also attempting to raise money for the British Treasury by auctioning 15 blocks in the mature oil producing areas of the North Sea. The previous round also contained a 15-block auction and raised £33m ($39.2m). By no means all of the current 15 are thought to be attractive, but industry estimates of the value of possible bids range up to £70m.

Three factors have conspired to make this round discouraging to the smaller league of oil companies:

● The emphasis on expensive deep water exploration.

● The British Government's recent decision to limit the membership of licence groups to not more than 10 companies.

● The ninth-round condition linking chances of success in applications with a willingness to contribute to the development of British offshore research and development.

One new company, Mercia Petroleum, has been specially formed to participate in the ninth round, however.

U.S. told to re-open HK talks on textiles

By Anthony Moreton in London

THE GENERAL Agreement on Tariffs and Trade (GATT), has censured the U.S. for acting beyond its powers in forcing Third World countries to renegotiate textile agreements to their detriment.

The unilateral introduction of regulations this year with Hong Kong "upset the balance of rights and obligations under the bilateral agreement, so affecting its economic content and creating uncertainty," according to Gatt's textile surveillance body, the committee which monitors the regulations.

The U.S. has been told to reopen talks with Hong Kong to "restore the balance", and has been given until February 20 to find a solution.

Since the end of last year the U.S. has made more than 100 calls – the technical term for a demand for renegotiation of a bilateral agreement – on Third World countries. That followed a rise in protectionism in the U.S. in the months leading up to November's presidential elections.

Apart from Hong Kong, those badly hit by the calls included South Korea, India, Turkey, Pakistan, China and Indonesia.

The calls caused so much ill-feeling that many Third World countries joined forces to protest in Washington. When that failed they sought action through Gatt.

The U.S., faced with a rising tide of imports from cheap producers as the dollar continued to strengthen, was unwilling to respond before the election.

The Geneva-based Gatt has said that until the balance of rights has been settled both sides should co-operate "to avoid disruption to the orderly and equitable development of Hong Kong's trade."

Many countries have been unwilling to antagonise the U.S. by taking the matter up with Gatt because they fear their overall trade with the U.S. would be harmed.

Now that Hong Kong has won its case other countries are certain to press the authorities in Washington

UK banks protest at plans to tighten regulations on capital

BY DAVID LASCELLES, BANKING CORRESPONDENT

UK BANKS have reacted with barely disguised anger to the Bank of England's proposed new regulations on capital.

Several banks, including some of the large clearing banks, are writing to the Bank objecting to both the severity of the regulations and, in some cases, to the lack of consultation before they were circulated to the British Bankers Association a fortnight ago.

Their reaction is particularly sharp because most banks are still smarting from the Johnson Matthey Bankers rescue, to which they were forced to contribute, and the Government's tax measures in the last budget.

The Bank's proposals cover conditions in which bank debt issues can be counted as capital, the key measure of a bank's strength and ability to grow.

The Bank is proposing that they can rate as capital only if they carry conditions which bankers believe would make them virtually unsaleable to the investment community.

Issues of perpetual debt – of which both Barclays and National Westminster have sold several hundred million pound's worth this year – would, for example, have to be convertible into equity if the issuer got into trouble. Loan stock could not have clauses triggering early repayment.

This would make it much harder for investors in bank stock to get their money back, though these resources would be more stable from the banks' point of view.

Greenwell & Co, the stockbroking firm, said in a report last week the conditions were so stiff it could only believe "that the Bank is not aware that its suggested terms are unacceptable."

The Bank of England's view is that if banks want debt issues to rank as capital they must have more of the lasting characteristics of equity. Officials did not, however, seek the views of investors before putting their proposals together.

Bankers also feel they were not adequately sounded out in advance. It is ironical, they point out, that the Bank should make these proposals when it is also pressing them to boost their capital.

Normally the Bank circulates new proposals privately to bankers before publicising them, but this time it issued them simultaneously to the press, partly in response to criticism that its normal practice amounted to the disclosure of highly sensitive market information to a privileged few.

BAT bid for Hambro

Continued from Page 1

market, the company was vulnerable to predators.

He sees coming into BAT as "enabling Hambro Life to develop in its own way, while now having the resources to seize opportunities that arise."

Hambro Life and its subsidiaries have funds under management in excess of £3bn, yet shareholders' funds amount to around £100m, leaving not a great deal of capital for expansion in the light of more stringent solvency requirements now being imposed by the UK authorities on life companies.

BAT is financing the acquisition from its own resources and from borrowing. The acquisition will give rise to a sizeable goodwill element, of which some or all will be written off. Mr Sheehy warned that there would be a modest dilution of earnings in 1985, but that this would have no effect on dividends.

BAT's next takeover move is likely to be outside the UK, Mr Sheehy said.

Reagan faces rebellion

Continued from Page 1

head of the House Republican policy committee, said at the weekend that if Mr Reagan does not accept real defence cuts, "he becomes the number one special pleader in town."

Mr Bob Michel, Republican House minority leader, says that Mr Reagan should certainly be aware that he must give on defence if he wants to meet his other objectives, such as avoiding a tax increase.

In his election campaign Mr Reagan repeatedly pledged that he would only turn to tax increases as a "last resort."

Mr Reagan, however, appears to be brushing aside these warnings. At the end of last week, he told an interviewer that they would not make any cuts in defence spending that would damage what they were trying to do to overcome the years of neglect in guaranteeing their security.

'Star wars' warning

Continued from Page 1

two countries was necessary "politically, geographically and culturally."

Mr Mitterrand's television interview followed several weeks of strong domestic criticism about his foreign policy, notably over Chad, North Africa and the Middle East, which has left many of the electorate confused and allowed the opposition to make welcome political capital.

Among the main points were:

Concerning Chad, Mr Mitterrand said he was not "the gendarme of Africa." The French army had no place in northern Chad, where he said the Libyan presence was not an offensive one. A factor increasing Col Gadaffi's strength was the arms supplied to Tripoli by the previous right-wing French Government.

Questioned over France's troubled colonial territory of New Caledonia, in the South Pacific, he declared his support for eventual emancipation of the islands, either by autonomy or independence.

Over policies towards the Middle East – where M Mitterrand has had talks in the last three weeks with the Syrian, Israeli and Jordanian leaders – he said France was the only developed country which could carry out an intermediary role

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	17	63	Dubrovnik	C	11	52	Malaga	S	18	64	Salzburg	C	5	41
Akrotiri	F	18	64	Faro	F	16	61	Malta	S	19	66	Seoul	R	2	36
Algiers	F	19	66	Florence	C	11	52	Manila	S	30	86	Singapore	F	31	88
Amsterdam	C	5	41	Frankfurt	C	3	37	Miami	C	22	72	Stockholm	C	-2	28
Athens	F	15	59	Funchal	C	17	63	Milan	R	5	41	Strasbourg	R	3	37
Bahrain	S	16	61	Geneva	C	6	43	Moscow	C	-10	14	Sydney	S	25	77
Bangkok	S	33	91	Gibraltar	F	17	63	Munich	R	4	39	Taipei	S	24	75
Barcelona	F	14	57	Guernsey	S	9	48	Nairobi	F	24	75	Tangier	C	18	64
Beirut	R	16	61	Helsinki	Sn	-5	23	Naples	F	16	61	Tehran	—	—	—
Belgrade	F	2	36	H. Kong	F	22	72	New Delhi	S	24	75	Tel Aviv	S	18	64
Berlin	S	-4	25	Innsbruck	S	3	37	New York	C	4	39	Tenerife	F	21	70
Biarritz	S	17	63	Inverness	—	—	—	Nice	F	13	55	Tokyo	C	7	45
Blackpool	C	3	37	Istanbul	C	7	45	Oporto	C	14	57	Toronto	C	2	36
Bordeaux	C	12	54	Jersey	C	9	48	Oslo	C	-2	28	Tunis	—	—	—
Brussels	F	4	39	Jo'burg	S	25	77	Paris	C	5	41	Valencia	C	14	57
Budapest	F	-3	27	Las Palmas	F	21	70	Prague	Sn	-1	30	Venice	Dr	6	43
B. Aires	R	30	86	Lima	C	24	75	Reykjavik	C	-2	28	Vienna	C	-3	27
Cairo	F	19	66	Lisbon	S	13	55	Rio de J'o	R	32	90	Warsaw	C	-7	19
Cape Town	S	24	75	Locarno	C	5	41	Rome	R	15	59	Zurich	R	4	39
Caracas	C	27	81	London	R	6	43								
Casablanca	—	—	—	Los Angeles	C	11	52								
Copenhagen	F	1	34	Luxembourg	Fg	1	34								
Corfu	F	16	61	Madrid	F	8	46								
Dublin	C	6	43	Majorca	F	15	59								

Readings at mid-day yesterday:

C-Cloudy D-Drizzle F-Fair Fg-Fog R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

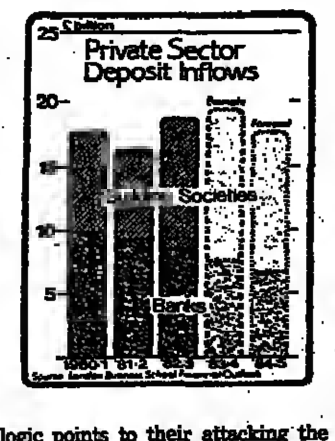
THE LEX COLUMN

Point of interest for the banks

In the High Street scramble for personal savings, the clearing banks have long been losing ground to the building societies, mainly because of the glaring differential between the rates they offer. That discrepancy will become even starker from April when the banks have to pay their already meagre interest net of tax, as the building societies have done for years.

While this may not necessarily lead to the full-scale haemorrhaging of the banks' retail deposit base that more bearish analysts predict, the clearers are bound to lose many more accounts.

For taxpayers, it would take either unflinching loyalty to their bank managers or total disregard for their income to keep money in a seven-day bank deposit account when building society share accounts are offering as much as double the interest.



Composite tax

By introducing the composite tax rate for banks the Government has craftily steered non-taxpayers in its own direction – in order to receive their interest gross, they will have to invest in National Savings.

To make the picture even grimmer, banks now find they have less room for manoeuvre in making their rates more competitive with the building societies. As interest rates fall, so does the endowment effect – the interest they earn on the "free" money sitting in current accounts. While base rates are at 9½ per cent, the clearers can cover their transmission costs and still just about make money on current accounts. It does not take much imagination to see what happens as interest rates fall further. The break-even point is at about 7 per cent.

None the less, the clearers have been fighting a rearguard action in the past year by offering higher "money market" rates on special savings accounts, usually requiring a pretty solid minimum balance. They have also had to rely increasingly on the wholesale market for money which, as the Continental Illinois fiasco showed, is apt to desert a sinking bank. Either way, the banks' cost of funds has been rising and may well continue to rise.

Given that the banks are grudgingly paying more for their money, logic points to their attacking the problem of thinner margins from the other end, by setting realistic charges on the services they provide. Indeed, earlier this year it looked as if bank charges were moving to a level which would reflect more closely the true cost of servicing an account.

That was until Midland slammed a brake on rising charges by announcing that it would offer free banking to all customers who kept their accounts in credit. If it attracts new accounts as a result the other clearers, most unwillingly, might feel obliged to follow suit. The result would be a zero sum game in which all players except the consumer lose out.

Whether this squeeze on margins works itself through to bank profits will depend on how aggressively the banks are prepared to meet the building societies' challenge and to make the most of services that the societies are not yet allowed to offer.

In many respects the two are not competing on equal terms. Building societies work in a very straightforward business. Their costs are low, so they can keep the spread between deposits and loans much thinner. Home-owners rarely default on their mortgages, which relieves the problems of bad loan and as tax relief has more or less assured strong demand for mortgages, they have been able to let the lending rate drift up to a market-clearing level and, with it, the deposit rate. Since they have little problem attracting borrowers, they can devote their marketing efforts to wooing depositors.

Banks, by contrast, have higher fixed and variable costs – including the provisions they have to make for bad debts – and they have to pay dividends to shareholders. Perhaps their mistake has been to view themselves primarily as lending, rather than savings institutions. As a result they have not concentrated enough on courting the personal saver.

One way to woo their old customers back from the building societies should be to market the extra services only they can offer, like insurance, brokerage and even the good old-fashioned overdraft or unsecured loan. While they may not be able, or willing, to compete on price with the building societies, they have the advantage of a huge network of ATMs, which offer depositors greater accessibility.

At the other end, they can try to improve their return on fixed capital, either by closing down branches – which most have already started to do – or by improving administrative efficiency.

Rights issues

Given the problems they are encountering they might wonder why the building societies are so keen to join the banking game. It should be a consolation too, though. As building societies business becomes more like banks', so will their cost structure. Soon they will find it no more profitable then the banks do to offer deposit rates higher than the interbank rate.

In the meantime, though, the clearers must be wishing fervently that the building societies trip over their own shoelaces on the way.

Even if the banks can deploy their capital more efficiently and recover some of the retail funding base lost to the societies, their margins are not going to be wide enough to make them look an attractive home for new capital. It seems likely, however, they will need more free capital just in order to raise the return on the fixed capital they are already trading from.

Within the Bank of England's likely guidelines on capital, it appears that full-blooded rights issue are the only way out. On p/e's around six the banks would clearly prefer to sweat it out, but the temperature may be just too high.

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SECTION III

FINANCIAL TIMES SURVEY

Rivalry between Jersey and Guernsey is keen. However, the financial communities of both islands face similar problems, as immigration constraints lead to a shortage of skilled labour.

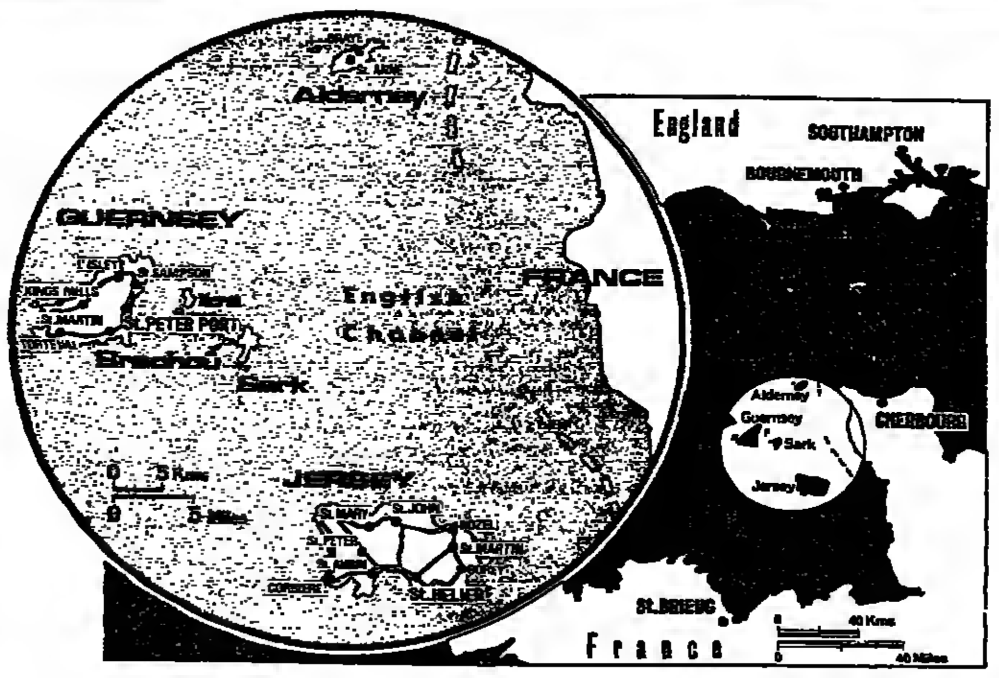
Determined to maintain an image of stability

BY MARGARET HUGHES

WHEN A Jerseyman quips that if his fellow countryman smiles at the sight of a red sky to the west at night it's because "Guernsey's burning" he's not speaking totally in jest.

The expatriate salting away his offshore earnings to the Channel Islands in the fond belief that they are one homogenous tax shelter would be far from the truth. And Jersey's jest about the red sky aptly sums up the keen rivalry, some would say enmity, between these two islands.

It is a rivalry which allegedly dates back to the civil war, when Jersey remained Royalist but Guernsey turned Cromwellian, and which spills over into the financial sector of today.



Channel Islands

Registered office of over 200 companies in Jersey, with brass nameplates on display.

The differences between the two islands, which have their own seperate legislation, has been brought to the surface most recently by Guernsey's unilsteral declaration that it wants to break away from UK exchange control legislation.

This legislation, which dates back to 1947, means that were Britain to reimpose exchange controls they would automatically apply to the islands because they, like the Isle of Man, are included within the Act. Thus the Channel Islands would have no say and no advance warning.

The Guersney States, or Government, is to ask the British Government to repeal the law to allow Guernsey to introduce its own legislation. Were it ever necessary Guernsey could then make its own decision as to whether its own legislation would be run in parallel or independently of that of the UK.

Counseillier Roydon Falla, president of Guernsey's Advisory and Finance Committee, says the State wants to "control its own destiny."

In its economic report for the year the committee, which is equivalent to a finance ministry, and effectively runs the country, describes exchange control as the one area of UK legislation which could have the "most damaging effect" on Guernsey's finance industry and thus the State's economic well being.

Having its own exchange control law does not mean that Guernsey wants to come out of the sterling area. The Gnernsey currency could still be linked to and have parity with the pound sterling as it does now, although Conseillier Falla concedes that independent legislation would permit more far-reaching changes "were it to become necessary" including a new and separate currency.

However, the main motivation for independent legislation is to be "prepared for any emergency" and so to protect the Islands's financial community, on which it has become so dependent.

In this context, the priority as far as Guernsey is concerned is that any future exchange control legislation should be administered locally.

Equally Mr Falla has emphasised that action over exchange control is not being used as a bargaining lever in negotiations with the British Government over the request that Guernsey, like Jersey, should contribute to its own defence and overseas representation costs.

Though Guernsey has taken the decision to seek repeal of the 1947 Act unilaterally it had hoped to do so in conjunction with Jersey. As Mr Bruce Riley, Guernsey's commercial relations adviser, understates it, "it would be difficult to imagine a foreign exchange control barrier outside there in the Channel between us."

Discussion had been taking place between the two islands on Guernsey's initiative for the past two years or so but to date Jersey had shown little interest in the topic.

"We don't see the value of having our own legislation when so much of the island's business is within the sterling area" is the view of Mr Riley's counterpart in Jersey, Economic Adviser Mr Colin Powell. He and his colleagues within Jersey's Finance and Economics Committee were clearly surprised by Guernsey's eventual move.

Their view is not entirely shared by Jersey's financial community who feel that the government should at least prepare contingency plans to deal with any future reimposition of exchange controls by the UK Government.

That Guernsey should be pushing for action on the exchange control front is indicative of the different ways the two islands' communities have developed.

Guernsey was slower in establishing a financial community. With the sharp decline in its horticultural industry and its higher level of unemployed it is far more dependent on, and thus more anxious to encourage its financial community.

This sector is now Guernsey's main income generator and employs more people than horticultural and manufacturing together.

Pre-tax profits of the 45 banks now residing on the island, excluding the UK clearers, are expected to total around £32m this year, up from £26m last year, with deposits topping the £5bn mark. This year Guernsey is expected to report an increased budget surplus of £6.25m up from £3.65m in 1983.

Both islands recognise that they are particularly vulnerable to outside influences as the aftermath of the 1984 UK Finance Act, which included measures to clamp down on tax havens has shown.

That is why Guernsey has encouraged the development of the captive insurance industry for which it is now a major centre.

It also explains its decision last year to grant tax exempt status to fund management groups. Guernsey is aware that, with one eye on the new UK legislation on Controlled Foreign Companies, fund managers may decide to switch management and control of their funds offshore. In these circumstances it is feared managers may opt for zero tax areas like the Cayman Islands rather than the Channel Islands.

In Jersey, however, Mr Powell sees no need for providing additional tax incentives to attract companies. He emphasises that the island's attraction as a financial centre has resulted from "general policies" rather than "specific fiscal manipulation."

But then Jersey is better placed than Guernsey to adopt such a line. Its budget surplus this year is £17m and is expected to rise to £25.5m next year.

Jersey also has a more balanced economy with tourism remaining the biggest income generator, accounting for 38 per cent, followed by the financial sector at 29 per cent and wealthy residents aootber 22 per cent. Its agriculture has also suffered less badly than Guernsey's horticulture.

Both islands adopt a restrictive policy in allowing in new entrants, be they wealthy residents or financial institutions. Only banks in the top 500 league are allowed to set up shop and most of these are deposit takers licensed by the Bank of England. In addition both islands only approve institutions which offer diversification of business or geographical spread. The main gap in the latter category is Japan so it can be assumed any Japanese bank would find the door still fairly open.

But within these limitations the financial community perceives differences in attitudes between the two islands, with Guernsey being the more flexible and encouraging.

There are complaints that Jersey is becoming too complacent; not moving with the times when they are changing rapidly. Already there are signs that Jersey is losing business to Guernsey, most recently with Lazards opening an office in Guernsey to run a fund which it would normally have operated from Jersey.

Whatever their other rivalries the two islands are united in recognising that their very existence depends on retaining a "respectable," politically and economically stable image.

By allowing in only "blue-chip" names they hope that these will safeguard the islands name by protecting their own.

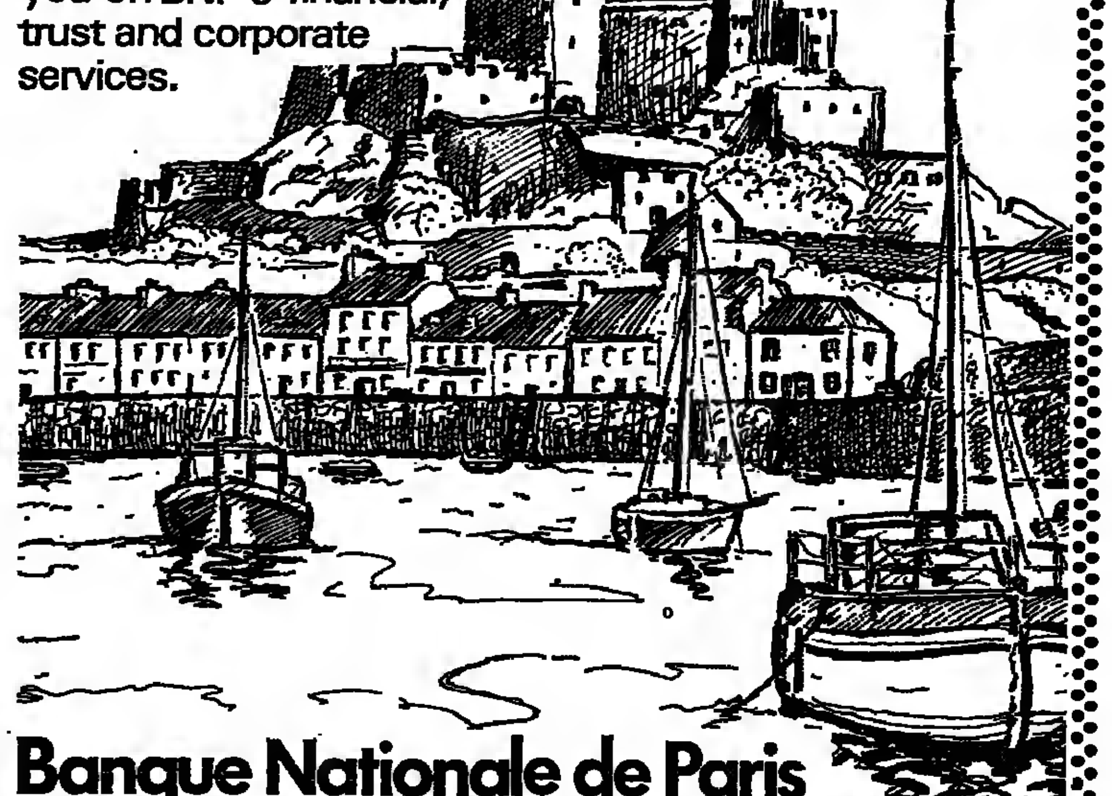
That is not to say that "fly-by-nights" have not found their way on to the islands. As one banker there put it, "offshore centres attract rogues like a candle does moths."

But the States point to the way that an institution like the Hong Kong and Shanghai Bank stood by investors when funds for which it was trustee failed. The two governments are also stepping up their respective fraud squads and introducing more legislation. Guernsey is also about to appoint both banking and insurance supervisors.

The most pressing problem which faces and unites the financial communities on both islands is immigration.

The financial community is under intense pressure from the shortage of skilled manpower due to immigration constraints, which local residents are anxious not to be swamped by foreign bankers, wealthy tax avoiders and even tourists who overstretch the islands' resources.

The governments' task is the delicate act of balancing the two so that the resentment expressed through pressure groups does not build to the extent that it disrupts that stable image on which the islands economy is so dependent.



Benefits from independent line

Captive Insurance

MARGARET HUGHES

A PRIME EXAMPLE of the independent route which Guernsey has taken in developing its financial community is its captive insurance industry.

Guernsey had its first captive as long ago as the early 1920s whereas captives have only been permitted in Jersey since last year when the island introduced its Insurance Business Law. So far none have been set up there and few, if any, are expected to, given that its legislation is more restrictive and the fact that the necessary expertise has already been built on the other island.

Guernsey is now the third most important offshore captive insurance centre in the world after Bermuda and the Cayman Islands and, some would say, in terms of on-the-ground management the second largest.

Statistics on offshore captive insurance operations are hard to come by but it is estimated that some 160 have now been established in Guernsey, against the 900-odd operating in Bermuda.

The captives established in Guernsey are predominantly the in-house subsidiaries of major UK-based non-insurance corporations. They include such publicly quoted companies as Rothmans, retailers like Marks and Spencer, Tesco, Burton and Woolworth, newspaper publishing groups like News International, pharmaceutical groups, like Fisons and Glaxo, as well as names like Burmah Oil, Trust House Forte and even the Roman Catholic Church, which has its Catholic National Mutual established on the island.

Generally, these offshore captives are managed by specialist independent insurance management groups such as Risk Management Captive Resources of the Stewart Wrightson Group or Transglobe.

Much of the growth in Guernsey's captive insurance industry came in the 1970s — 10 years ago there were less than 20. Within the sterling area during the days of exchange control Guernsey was the favoured location of many UK companies wishing to set up captives.

Since the lifting of exchange controls in 1979 there has been something of a swing back to Bermuda which has the edge over Guernsey in being a zero tax area rather than a low tax area. However, with the introduction of Controlled Foreign Company Legislation by Britain in this year's Finance Bill the pendulum may have swung the other way again.

This piece of legislation means that offshore captives set up by UK companies may no longer escape UK taxation since UK corporate shareholders in a company resident in a low tax area may now be assessed for UK corporation tax on the profits of that overseas company.

In its economic report for this year Guernsey's States Advisory and Finance Committee states that the main effect of the new UK legislation has been to make Guernsey "more attractive" relative to zero tax locations for new UK-owned captives.

Nevertheless, Guernsey captives are not likely to come through totally unscathed by the new UK legislation. To be exempt from UK taxation they have now to demonstrate that they are bona fide insurance companies.

This means that more than 50 per cent of their business is in underwriting third party insurance—not, for instance, permitted under the Jersey legislation. Alternatively, if they can remit 50 per cent of their profits as dividend back to the UK they will only be liable for tax there on those profits remitted back.

Exemption

A third option resulting in exemption from UK tax is if the parent's shareholding in the captive is no more than 10 per cent and it does not remit a dividend to the UK.

Although captives in zero tax locations have come under the closest scrutiny it is understood that at least one Guernsey-based captive of a major corporation has been closed following intervention by the UK authorities. There is also growing concern in the industry that the UK Inland Revenue may start disallowing premium relief where those premiums are paid by the parent to its own offshore captive subsidiary.

Taking on more third party business will pose additional demand on the captives which will have to place greater emphasis on their own solvency and in ensuring that those third party risks are properly underwritten.

In a sense it removes much of the original aim of a captive —namely that the parent company should benefit from its own risk control measures. By insuring its risks through a captive it is estimated, too, that a major corporation can save at least 20 to 30 per cent on its insurance costs and in many cases more.

Major corporations which normally have a large insurance premium rarely get discounted rates in the general market which reflect the level of their own risk management. By carrying some of their own insurance risks which they themselves can select they are also able to negotiate better terms and conditions in the catastrophe insurance or reinsurance market. Overheads of captives also tend to be lower than those of general insurance companies.

Some captives have underwritten third party risks by swapping risks. But under new legislation they can no longer swap risks with a captive based in the same location. This again makes the underwriting of third party business more precarious. Some companies which began as captives have come full circle becoming general insurance companies.

One example of a Guernsey-based captive which has successfully moved into third party business in Polygon managed by Transglobe. This is the captive set up some 10 years ago by three major European airlines—KLM, SAS and Swissair which has moved into such esoteric areas as insuring satellites for the space shuttle programme.

Although there was some falling off in the number of new captives being set up in Guernsey, as elsewhere, ahead of the new legislation in the current year, another 15 to 20 have been established.

With the hardening of insurance premium rates the industry expects this growth to accelerate as it becomes more advantageous for companies with a hefty premium outlay to set up captives while those already providing cost benefits to the parent company should become even more cost effective.

The new UK tax legislation will, however, mean that companies will have to structure their captives more carefully if they are not to fall foul of the UK authorities, especially if they choose to underwrite third party risks with inherent hazards.

There is expected to be an increase in the number of multi-parent captives and those representing associations or institutions as pioneered in Guernsey by Captive Resources. The first of these started operating in January 1982 as the International Movers Mutual Insurance Company (IMMI) to underwrite customer deposit guarantees for members companies of the British Association of Removers with 80 companies now participating.

More recently the Institute of Freight Forwarders Mutual Insurance Company has been set up along similar lines.

Initially envisaged as a captive for underwriting customs excise duties and freight guarantees it now provides bonding to cover the VAT payments which since November 1 have to be paid at the time of importation.

In the first few weeks of operation it has already issued £50m worth of bonds and by the end of next year expects to have written at least £200m.

The system has the capacity to underwrite £6bn worth of bonds covering all imports into the UK handled by the 600 members of the Institute of Freight Forwarders.

Offshore captives have undoubtedly been used by some corporations as little more than tax filters, and many have been marketed for their tax advantages. But Guernsey's captive insurance management groups emphasise that the prime motivation in establishing captives offshore is for administrative ease and flexibility.

Guernsey's Captive Insurance Managers Association argues that the tax advantage has only been the icing on the cake "for the genuine captive and that the new UK legislation will simply "sort out the sheep from the goats."

The association was itself set up just two years ago by the nine major management groups on the island with affiliated membership among those lawyers, actuaries and accountants also acting as captive managers, to both negotiate with the relevant authorities and introduce some form of self regulation.

Next year should also see the introduction of Guernsey's long promised insurance legislation which will put on the statute books much of the existing informal criteria on minimum capital requirements and solvency ratios as well as registration and other procedures.

UK LABOUR PARTY VIEW

Attack on the tax haven

THE pragmatic legislation which has enabled the Channel Islands to develop as tax havens and offshore centres needs to be replaced by sweeping new anti-avoidance laws and by a thorough reform of company law.

This is the radical—and on the islands themselves highly controversial—view being put *forward within Britain's Labour* Party.

The point has been pressed most forcibly by Labour front bench spokesman, George Foulkes, who claims that the dramatic increase in new company registrations, bank deposits, and in the value of offshore funds (much of which is allegedly directed away from UK gilts and equities) is costing the UK hundreds of millions of pounds a year. Three years ago he failed in an attempt to secure passage of a private member's bill which would have limited the transfer of funds from Britain to the islands.

Particularly since the lifting of UK exchange controls in 1979, the islands have done all they can to attract funds and, as competition between tax havens has grown, local controls too have been deliberately reduced, Mr Foulkes argues. Thus, in 1983, Guernsey decided to allow offshore funds to be run entirely from the island without becoming liable for local income tax.

"Proposals for company law reform were quashed by the business community in 1977 for being too complicated, costly and restrictive. There are still no provisions relating to directors, auditors and secretaries and their duties, no provision for registration of external companies, no specific laws relating to the creation of trusts and the obligations of trustees, and no provisions for the enforcement of statutory requirements," states Mr Foulkes.

One traditional argument in defence of the islands is that, since avoidance of tax is inevitable, it is preferable to contain it in an area of monetary union, and that no step should be taken to jeopardise the islands' position. If the UK were ever to use its paramount power to legislate for the islands—a right which has been recognised by the UK and island Governments—the islands might opt for complete independence or the business might go elsewhere.

Th Labour Party argues that this ignores the continued economic dependence of the islands on the UK. Despite the telecommunications revolution closeness to banking centres and convenient transport links are, for example, still crucial to the development of financial centres. The growth in importance of the Eurocurrency markets also makes the link with the UK vital.

Also very significant for the islands is the informal voluntary agreement reached with the UK on the island banks' acceptance of monetary control under the 1979 Banking Act.

"Without such agreement, and if they had opted for financial independence, the islands would have had a currency not linked to sterling but backed by a central local bank. This link is of crucial importance to the islands in the competitive post-exchange control era. It was the rescheduling of the sterling area in 1972, and the inclusion of the islands in the new area, which prompted the growth of the centres at the expense of other low tax areas, such as Bermuda," Mr Foulkes observes.

Powerful factors exist, therefore, which suggest that wider anti-avoidance legislation or at least more direct intervention in the reform of island company law, and co-operation with the Inland Revenue, might be accepted, albeit grudgingly, by the islands, he claims.

Though the Labour Party has no formal plans to change the islands' position at this *stage, its national executive* committee in a recent paper developed the idea of stripping companies of their fiscal privileges if their foreign assets exceed a certain proportion of their total assets or if they were to move their operations offshore.

"The effectiveness of such a policy depends on accurate information relating to their offshore activities. If the islands are unwilling to reform their company law or co-operate with the Inland Revenue, a Labour-controlled Parliament should legislate to ensure that they do," Mr Foulkes urges.


Scenes of Feudal Sark. The island has now been formed into a company so that health cover for the 420 residents can be obtained at business rates.

Task is to make books balance

The Smaller Islands

WILLA MURRAY

LOOKING AT ways of ensuring that their books continue to balance is preoccupying the local governments of Sark and Alderney, Guernsey's dependencies that are both under six square miles in size.

The problem for feudal Sark, nine miles from St. Peter Port harbour, is its comparative independence from Guernsey, which is beginning to require payment in full for certain services.

Alderney, the Channel Island that lies closest both to England and to France, has the problem in reverse. It is financially tied to Guernsey, which controls about two thirds of Alderney's expenditure and 88 per cent of its income.

Blanket standards that are appropriate for Guernsey are less so for an island with a tiny airport and hospital, and a population of only 2,000.

Sark's 420 residents were surprised last May, when Guernsey's Board of Health announced proposals to charge Sark patiants the full hospitalisation rete of £93 a day. Until then, the small island—which does not come under Guernsey's social insurance scheme and has no hospital—was contributing £12,000 a year towards patients' costs.

An ingenious Guernsey insurance broker turned Sark into a company, so that a standard plan for business concerns providing good health cover at rates from £91 could be adapted for the island.

But that still left those who could not afford or were ineligible for insurance. Sark's only direct tax is the centuries-old quarter tax, based originally on the price of wheat. This has now been doubled from 40p to 80p a quarter to provide a hospital fund.

The tax—on property and capital—is dubbed "the guess tax" by the Sarkese.

Said the island's hereditary ruler, Michael Beaumont: "Assessment is kept low—which is why it works. If someone wants to avoid paying it, all they have to do is to stand up in Court and declare that they have not got more than so many pounds.

"At one time it was easy in this small community to gauge how much everyone was worth, but nowadays people have money tucked away all over the place."

Although he did not say so, he was perhaps referring to Sark's lucrative invisible export—directorships of Guernsey and Jersey-registered companies wanting to show they are controlled from outside so as to avoid local income tax liability.

At the request of the island's parliament, Chief Pleas, a top delegation from Guernsey visited Sark in November to advise on whether authorities there could also derive money from companies seeking offshore directors, and to discuss other possible ways of increasing revenue.

The six visitors (three senior Guernsey politicians headed by Roydon Falla, president of the finance committee, the States' Supervisor, Treasurer, and the Commercial Relations Adviser) attended a closed meeting of Chief Pleas.

Meanwhile, Alderney is also having consultations with finance authorities in Guernsey. Talks are likely to raise the issue of the little island's contributions to the big spenders of health, education and social services.

Faced with a deficit of £180,000 next year forecast by "chancellor" John Winckworth, Alderney's parliament has agreed to his proposals for a series of savings.

Advocate Jon Kay-Mouat, recently returned unopposed as president of the States of Alderney for a fourth term of office, said that minor economies and "a little more income" was all that was needed to get the island's housekeeping into good shape.

He will head an in-house general policy committee that is to be set up next year following Alderney's parliamentary elections.

Another committee has been formed to advise on ways to develop commerce and light industry. It consists of a banker, a shipping executive and a retired industrialist and is headed by local MP, Roger White-Smith.

Alderney draws most of its revenue of about £2½m from income tax returns of wealthy settlers, among whom are John Arlott and children's author Elizabeth Beresford.

Independent line brings success

Communications

EDWARD OWEN

EXCEPT as investors—and share applications gave local stockbrokers their busiest day—Channel Islanders are not directly affected by the sale of British Telecom. Since 1973 Guernsey and Jersey have been responsible for all their own telecommunications.

Indeed, Guernsey has had semi-independence since 1898 when, after a legal battle with the British Postmaster General that went to the Privy Council, the island was allowed to run the telephone system within the Bailiwick. Jersey followed suit in 1923.

Full independence resulted from the conversion of the GPO into a public corporation in 1969, when the Channel Islands were invited to take over their postal and telecommunications services.

They became postally independent in October 1969, but the transfer of Britain's telecommunications monopoly to the islands had to wait until January 1 1973—the 75th anniversary, as it happened, of Guernsey starting its local service with 70 subscribers.

Under an agreement between the two islands and the UK Post Office Corporation—fully expected to continue with the privatised British Telecom—the three authorities share the responsibility and costs of maintaining the links between the archipelago and the UK mainland. Britain provides the islands' international connections except between Jersey and France.

Even at the time of the takeover it was well appreciated in the islands that the growth of the offshore finance industry was going to put exacting demands on local telecommunications.

Since then, with the need to keep abreast of modern technology and the continued expansion of international business, Guernsey and Jersey Telecoms have achieved a sophistication comparable with that of large countries.

Guernsey Telecoms was the first authority in Europe to introduce the latest Transtel ComWriter telex machine a year ago. Both islands now offer the PSS (Packet Switch Stream) facility, which enables computer information to be swiftly transferred across the world.

Over the next few years the islands will be investing between them about £40m in improving their systems. This will include fully electronic exchanges, for which, after evaluating digital systems from several countries, both Jersey and Guernsey have chosen the British System X.

The Guernsey contract for System X, which is worth £7m and includes a new transmission system using optical fibre cables, has been placed with Plessey Major Systems.

Jersey's £5m contract with GEC Telecommunications for a digital exchange is the first phase of a modernisation programme that will eventually cost another £15m.

The vulnerable points in the islands' outside communications are the submarine cables that link them to British Telecom's international network and give them direct dialling to 145 countries.

Running from Guernsey to Bournemouth, and from Jersey to Bournemouth and Dartmouth, these cables cross some of the world's busiest shipping lanes and are always liable to be broken by ships dragging their anchors or by trawling.

After a four-day loss of outside telephone and telex connections in 1979, following a similar black-out in 1977, one international banker warned that further breakdowns could threaten the islands' credibility as finance centres.

Since then Jersey, Guernsey and the UK have taken several measures to ensure that the islands are not cut off.

A standby 960-circuit microwave radio link between Guernsey and Southampton routed via Alderney and the Isle of Wight, can be called on in an emergency. Jersey Telecoms has also established a permanent 120-circuit microwave link with France, enabling calls between that country and the island to be dialled direct.

Cable severed

When a cable is severed, British coastguards and the French Crossma rescue service put out a warning to Channel shipping to try to ensure that the vessel responsible does not break further cables.

Jersey and Guernsey jointly own and use these three cables to the mainland and immediately there is a cable break a restoration plan drawn up with British Telecom swings into action to make use of alternative capacity.

This year, as a further precaution, 26 nautical miles of the most recent cable to be laid—between Jersey and Dartmouth—were buried.

As a safeguard against a local disaster such as a fire, Guernsey Telecoms is installing a second "gateway" exchange to handle outside calls.

Independence has kept down charges and led to a high level of telephone usage. Jersey has over 62,000 telephones for 75,000 inhabitants, and the Guernsey Bailiwick — which takes in Alderney and Sark— has over 142,000 telephones for a population of 54,000.

Guernsey's charges are among the lowest in the world. The quarterly rental of £6 for both private and business users has been unchanged for eight years. Unlimited-time local calls have cost 3p since 1981 and are to go up to 3.5p from January 1.

Despite this, Guernsey Telecoms is financing its modernisation programme entirely out of its own resources with no burden to the taxpayer.

Channel Islands 4

Damage less than anticipated

Offshore Funds

MARGARET HUGHES

CHANNEL islands fund managers are still wrestling with the consequences of the British Chancellor's move in the last Finance Bill to curb the tax loophole in offshore roll up funds.

These are the mutual funds investing in the money markets which instead of distributing their income to investors as dividends re-invest it to increase the value of the shares or units.

Until Mr Lawson intervened this increase in value was taxed as capital gains o nreelisation rather the nas income and provide dthe gain was less than £5,600 it was tax free.

Now, however, any gains or realisation are taxed as income which is liable for taxation at 30 per cent at minimum rising to 60 per cent for thosei n the highest tax bracket.

Such was their inherent tax edvantage that UK residents, both individual and corporate, accounted for an estimated 80 per cent of the estimated £2bn invested in these roll up funds at their peak. The Inland Revenue reckoned that it was losing between £80m and £100m a year as a result, while the building societies were up in arms over the savers funds which they were losing to the roll ups.

Overzealous marketing by some of the funds also helped to focus the Chancellor's attention and the repercussions ere still being felt.

But while withdrawals following the UK Cbancellor's move to stop the accumulated income being disguised as capital gains brought the level of investment in these funds back to an estimated £500m it has not dealt the expected death knell to the Channel Islands' mutual funds industry or even to the roll up themselves.

At one time roll ups accounted for some 90 per cent of the funds based in the islands. The proportion is now nearer half that. But investment is still coming in to the roll ups, and new roll nps are being formed.

Even for the UK resident roll ups still have the edvantage of tax deferral because the gains are not taxed until realised. UK residents can thus benefit if the yare nearing retirement age when their tax liability would be redoced—especially if they have been in th ehigher tax brackets during their working life—by cashing in their roll ups after retirement. There is a similar advantage for those residents who are posted overseas whe nthey can realise their gains tax free.

And while the initial exodus out of roll ups has curtailed growth of the islands funds business, the damage has been far less than anticipated.

> The move by the UK Chancellor to stop accumulated income being disguised as capital gains has not been the death knell expected to the Islands' involvement in mutual and roll up funds

As the Jersey economic report fo rthis year points out the ontflow has been "more than made good" hy additional funds being drawn in, largely, from overseas resident and not all of them British expatriates.

The level of funds managed in Jersey is currentl yput at over £2bn with a further £700m in Guernsey. In part this is because the islands hav eincreasingly—roll ups apart—been lessening their dependence on the UK.

But it also reflects the response of the 300 funds based on the islands which have either restructured their funds to meet new UK requirements or ere introducing new ones an dbein gforced to put more emphasis on looking for a wider customer base.

Since the initial repercussions died down fund managers beve been wrestling with the far wider imfplications of tha Chancellor's action because it is not simply the roll up funds which have to meet UK distributor status if they ere to be sold to UK residents.

And the majority of funds on the two islands still have a substantial proportion of UK investors on the registry of a variety funds. Few of the funds quellified as they stood for distributor status which requires that the funds should distribute their income as dividends and that distribution which will be taxed as income should amount to 85 per cent of the fund's income.

This particularly applied to funds designed for high capital growth generally favoured by investors resident in the UK. Submissions to the UK Inland Revenua for distributor status approval ean only be dooe at the end of each fund's accounting period and has to be renewed annually with a resulting hurden on management tima and costs.

Fidelity, the U.S. fund management group, for instance, did not have e rolle-up fund based in the Channel Islands, hut has nonetheless aplled for distributor status for four of its six funds.

Hambro is seeking distributor status for all its funds managed out of Jersey—and hsa so far obtained it for ooe—as is Trustee Savings Bank, including its gilts fund. Rothschilds is keeping its Old Court International Reserves—at its peak the higgest roll-up of all, pulling in some $1bn hut with now only some $270m left in—as e rol-up hot is seeking distrihutor atatus for five other funds.

Tyndall is an example of a group which has split some of its funds so that it can offer similar investments to UK and non-UK residents, seeking distributor status for the former.

Britannia, the higgest Jersey-based group, is diversifying inot other financial services, most recently with its link-up with Ceter Allen to offer a high interest cheque book bank account. Save and Prosper'a investor hase is already predominantly non-UK resident, so that the new UK regulations heve been less of a prohlem for it.

Lazards, having exploited a loophole in the new UK rules in moving its roll up on shore this month with the aim of liquidatin it early next year, so that its investors will be able to realise their gains without paing the higher tax charge, has just launched a new multi-curreocy roll up, to replece its Currency Reserve Fund which will not seek distributor status.

As significant is that Lazards will run this new fund from its newly opened investment funds office in Guernsey. This move by Lazards, which has heen one of the largest groups operating out of Jersey, reflects the different attitudes and legislation which now exists on the two islands.

In opening the Guernsey office, Lazards sa ti had been influenced by measures takeo by Guernsey during the past year which had "increased the attraction of using thet island es e base for open-ended fund-management" which it sees as an "area of expansion" for the Lazards group.

Guernsey bas in the last year conferred tax exempt status on funds switching management and control from London to the Island. With an aye on Britain's new Controlled Foreign Company legislation, the financial community has been pushing the Jersey authorities to grant a similar exemption.

But Jersey is still resisting, erguing against what it terms "fiscal manipulation" which might be seen to actively encourage tax avoidance.

A further restriction recently imposed in Jersey, which is also contrihuting to the switch of business to Guernsey, is the requirement that funds now have to have independent custodian trustees.

Devising an alternative for expatriates

Pension Schemes

MARGARET HUGHES

ANOTHER area of the Channel Islands financial business which has been hit by the UK's last Finance bill has been expatriete pension schemes linked to life assurance policies issued by offshore life companies.

They have been the casualty of the inclusion of offshore insurance in the Chancellor's all-embracing curbs to clamp down on the tax edvantages of the roll up funds.

In the past expatriate workers or their employers were eble to use life assurance-linked investment schemes to provide pensions for those employees who could not, for one reason or another, be included in the parent company's scheme in the UK or alternatively where inclusion of the local pension schemes of the overseas countries in which they were employed was either impossible or unsuitable.

By investing in a "qualifying" offshore life scheme the expatriate was able to obtain and hring back to Britain a tax free lump sum or income at the end of ten years when such policies matured. Similarly the proceeds from investment in a "non-qualifying" policy was also free of basic rate tax.

If the expatriate returned to the UK before the policies matured he was still able to retain his offshore scheme and receive the proceeds on maturity either free of income tax in the case of "qualifying" policies or free of basic rate tax in the case of non-qualifying schemes.

Now, however, all such offshore policies become non-qualifying once the expatriate resumes UK residence and simultaneously the Chancellor has decided that "non-qualifying" policies are no longer free of basic rate liability.

Thus the expatriate has to pay income tax et his full or higher rate if he is resident in the UK when the policy matures and or he receives the proceeds. This two pronged action has thus made offshore linked policies inappropriate for all but the permanent expatriate, or at least those staying working abroad for a minimum continuous period of ten years.

It is possible for the expatriate to surrender his policy on returning to tha UK but the penalties of early surrender on e ten year policy are usually onerous.

Thus the offshore life assurance linked schemes have been effectively killed both as an investment vehicle for UK residents—who in any case, made little use of them hut who tha Chancellor clearly feared would switch into them once the roll off fund tax loopholes had been plugged—and for a large percentage of expatriates.

Life companies are however seeking to devise the means and new schemes for providing pension vehicles for the expatriate market.

One alternative is to offer "qualifying" policies issued by hranches of licensed UK companies established in the Channel Islands. The proceeds from such schemes, like those of any UK scheme, then become tax free. But like UK life funds these will be subject to tax on their investments thereby losing the advantage of gross roll ups which the offshore companies use to improve the overall return.

The expatriate can, of course, hold onto his offshore policy until maturity, but will be taxed on the capital gain obtained during the period of his UK residency. Where the offshore policy was in the form of a regular savings plan the expatriate can also transfer into a "qualifying" UK policy on his return and get the proceeds tax free with the advantage that the time span of the policy dates from the commencement of the original offshore policy.

Some life companies such as Guardian Royal Exchange offer a scheme which has always had "non-qualifying" status but has the advantage of a shorter maturity of five years. Eagle Star and Lloyds Life have both evolved schemes which are designed to be sufficiently flexible to cater for any period of expatriate employment ahroad.

With Eagle Star's Cosmos plan the expatriate huys an offshore single premium personal hond which is then used to pay on the expatriate's behalf the annual premiums on a "qualifying" 10 year term policy issued by an offshore branch of Eagle Star, which he or she can then remain in on return to the UK.

Has the edge

A rether different approach to expatriate pensions which now has the edge over the conventional offshore life-linked schemes, although developed before the new legislation, has been devised by consulting actuaries Bacon and Woodrow.

These are self-administered offshore pensions schemes along the lines of the pensions operated by most large and medium-sized UK companies for their home-based staff.

With e self-administered scheme the employer, or usually his appointed trustee, is responsihle for the administration and investment of the fund, thereby undertaking to cover the investment risks rather than passing these on to the lifa assurance company.

This scheme was first used hy Shell in Bermuda hut is heing developed for wider use by Bacon and Woodrow. The schemes are similar to those which can he set up in the UK for overseas employees under Section 218 of the Income and Corporation Tax Act of 1970 with the edditional edvantage that whereas the pension payments from the Section 218 scheme will he taxed in full a deduction of 10 per cent is allowed for payments from a foreign pension scheme.

With offshore pension funds in Guernsey exempt from local taxation the offshore pension funds enjoy the same tax exempt status as, currently at least, enjoyed by their UK counterparts.

By the end of this year Bacon and Woodrow will have established twelve such schemes for UK-based multi-nationals, they smallest having assets of only £20,000 and the largest round £2m, illustrating the wide application of such schemes. It hes several others in the pipeline and hopes to possibly double the number in operation within the next year or so.

In the meantime it is edapting its basic pension scheme to produce a relatively inexpensive umbrella scheme which will ellow several companies with say one or two qualifying overseas employees to participate in the sama pension fund.

Another variant would be for expatriates who are working either on a self-employed or contract basis which does not include any pension provision to participate.

In this event the individual would probably have the right to select both the type of investment in which her or his pension funds would be directed and he able to chooss the investment manager or management company.

Fierce debate on costs

Defence

HUGO GURDON

IN EARLY June the British Home Office asked Jersey and Guernsey to consider making regular annual payments to the UK Exchequer to contribute toward the cost of their defence and overseas representation.

To Channel Islanders this would not simply involve paying for acknowledged services. The request goes to the heart of their constitutional relationship with the UK and also involves deciding whether the islands benefit from British nuclear and conventional defence expenditure.

Debate of the matter baa upstaged all other local issues for the past six months.

The Kilbrandon Report which followed the 1970 Royal Commission on the Constitution indicated that in strict law the British Government can legislate for the islands. But by *longstanding tradition* they have been left to conduct their own domestic affairs, particularly taxation.

The Government could impose a levy but this would involve taxation without representation because the Islands do not send MPs to Westminster.

The Home Secretary, Mr Leon Brittan, and Lord Elton Minister of State responsible for the Channel Islands say that they have simply made a request to which the islands may respond as they see fit. Their reaction to a refusal would, they say, be no more than "great disappointment and considerable surprise."

Nevertheless many islanders feel that the Home Office is applying undue pressure hy saying that a contribution would be not only "generous" but also the "honourable" thing to do.

They are *also* concerned hy the possibility of more tangible forms of pressure. The local media has reported unnamed Whitehall sources as saying that if the Home Office is met with refusal it will consider sanctions against Islanders auch as a poll tax on visits to Britain.

It is also mooted that a refusal might Incline the British Government toward obstructing Channel Island policy decisions. If the islands' States (Parliaments) decided to make regular defence payments and had to raise taxation as a result they would break a longstanding tradition that no local taxes are levied other than for local requirements. This tradition has been diluted in recent years by votes of overseas aid but even this is usually for specific projects undertaken by local volunteers.

Different matter

The case for paying for tba service is consular and other representation, particularly with the European Community, is generally acknowledged, but defence is a different matter.

The Creat Wars showed that the Channel Islands — only 15 miles from the European mainland — are conventionally indefensible by Britain. They stand or fall with France and it has been suggested mischievously that the Islanda ahould send donations not to the government of Mrs Thatcber but to that of M Mitterrand.

A more plausible suggestion is that the islands should contribute directly to Nato. This would Indicate that the islanders acknowledged the protection of the West's nuclear arsenal and at the same time avoid setting a precedent for financial ties with Britain. It would also take account of the fact that if the Labour Party returned to power Britain could be receiving Cbannel Island money while scrapping its nuclear committment.

There has been some consultation between Jersey and Guernsey but there will not necessarily be a joint decision. The initial response to the request is noticeably cooler from the Cuernsey establishment than from that in Jersey.

Jersey gave £5m to the British Government in 1982 for the rehabilitation of the Falklands. Desplte Home Office denials it is widely believed in both islands that this unsolicited gift precipitated the new request. In Jersey there is a feeling of collective foolishness and in Guernsey a resentment at being dragged along on its neighbour's coat-tails.

One member of Guernsey's *Finance and Advisory Committee*, wblch is considering the request, recently described Jersey's gift as "brash" and the committee chairman, Conseiller Roydon Falla, said: "They have put pressure on us but that does'nt mean we are going to do anything about it other than what we want."

The basic premise for the Home Office case is that the efficacy of current defence policy is beyond question as much for the Channel Islands as for the rest of Britain. While saying that the islands have a free choice it has thus made honour rather than politics the basis for decision-making. Like tha curate's egg, the Home Office case is good in parts.

A timely boost to income

Conferences

HUGO GURDON

THE CURRENT boom in conference business arrived at just the right moment for the Channel Islands.

Tourism has long heen their major industry although offshore finance has recently pushed it into second place in the earnings league. The largest island, Jersey, is only 45 square miles in area and yet is almost twice the size of Guernsey.

Being so small it has been necessary to restrict the number of tourists in the island at any one time. Jersey's Tourism Committee, for example, considers 20,000 visitors the maximum compatible with retaining the island's natural beauty and agricultural heritage.

Tourist business expansion therefore had to come not by increasing the number of hotel beds available but by attracting higher spending visitors in off-season months.

Conference delegates fit those requirements precisely.

Guernsey has had a full-time conference officer since 1977 and Jersey finally appointed one last September.

Last year Guernsey attracted 94 conferences from which it earned about £2m. This year's figurea are expected to reveal an increase of about 30 per cent. Jersey will have had about 200 conferences and earned about £4m. Jersey's conference director, Mr David de Carteret, estimates that the sector earnings could be doubled.

The islands are expensive to get to. The standard return fare from London ranges upward from £90 but conference delegates can often have this reduced by a third in special package deals.

A £60 round trip is more than for most mainland destinations. But Mr de Carteret and his counterpart in Guernsey, Mr Derek Gardiner, say that the savings once in the islands make up for this within two days.

In consequence one of the main thrusts of the islands' conference advertising—as for their ordinary tourism—is that visitors will get value for money. Another aim is to point out that they have good travel connections with mainland Britain. Guernsey can be reached direct from 17 airports in the UK, and Jersey from 30. They also expect sea travel to be more flexible with the privatisation of Sealink and new cross-Channel competition from other companies.

Both islands have large purpose-built state-owned conference centres seating up to 2,000 delegates theatre style.

An average conference has between 80 and 150 delegates. The St Pierre Park Hotel in Cuernsey can cater for conferences of this size in-house, but it is the only hotel in the island which can do so. In consequence Guernsey misses business which Jersey can snap up.

Jersey has three hotels which can take conferences of this size in-house, the Grand Hotel, the Hotel de France and the Pomme d'Or, all of which have spent millions of pounds in recent years on improvements tailored to the new high earning sector requirements. All have full-time conference managers.

Apart from controlling the marketing of the Channel Islands as conference destinations, the conference officers will coax hotels into improving facilities which they believe to be sub-standard.

They will also act as conference brokers. When one hotel cannot accommodate a conference it will, by informal agreement, refer the inquiry to the conference officer who will then try to meet the demand at a different venue on his island.

There are no national figures against which the Channel Islands conference business expansion can be compared. But there is a mood of confidence in the archipelago which suggests that the tourist authorities do not expect to be discomfitted by their British-mainland rivals, the likes of Eastbourne and Bournemouth.

Profile: Aurigny Air

Flexible service policy

By Hugo Gurdon

CHANNEL ISLAND air routes are notable more for their mercurial fortunes than for their longevity.

Links with Britain and France come and go, airlines appear and disappear. Three years ago even British Airways stopped operating what had been considered a lifeline route between Heathrow and Cuernsey.

One company that has broken the mould, bowever, is Aurigny Air Services which will celebrate its 17th birthday on March 1.

It was founded by a resident of Alderney, Sir Derek Bailey, in 1968 wben the island was left without an air connection with its neighbours following the withdrawal by Britisb United Airways CI of its Heron flights to Cuernsey.

Aurigny—the French name for Alderney—made a modest start operating tha former BUA route with two eight-seater Brittan-Norman Islanders, one of wbich it owned, and the other it leased.

In the years since then the airline bas built up a fleet of nine aircraft including two Islanders and seven 16-seater Trilanders, so called because they have three engines whereas the Islander has two.

The fleet works a tight network which links Alderney, Cuernsey, Jersey, Cherbourg, Dinard, Bournemouth and Southampton.

The key to Aurigny's success has been in eschewing grandiose plans and keeping the airline very mucb a Channel Islands operation.

The managing director, Mr Craig Alexander, said: "We specialise in low volume and high frequency. We want to keep our network fairly tight. We bave seen people come and go with routes all over the place and it does create a logistical problem."

Aurigny was bought in 1978 hy a tripartite consortium including the insurance brokers, Thomas R. Miller, and the shipping broker, Exxtor International and J. S. Hamilton.

But Mr Alexander said: "We are totally a Channel Islands company apart from the eventual ownership."

Keeping the Cbannel Islands "as the hnb" gives the airline great flexibility, he says. There will always be an aeroplane available at short notice because flights between the islands take only 15 minutes.

It is a basic tenet of Aurigny's management policy that if a single passenger wisbes to get back to his or ber bome island an extra flight will be laid on if necessary.

"If there is demand we meet it," said Mr Alexander. "The cost of running one flight does not really come into it. We think the goodwill is worth it. If someone wants to get home we are not going to abandon them on the wrong island. Our schedule is a guide to the minimum we operate in a day."

That minimum is impressive. This winter Aurigny will operate at least 32 flights a day between Jersey and Cuernsey.

Aurigny's higb frequency allows businessmen, couriers, etc, to make very brief visits to neighbouring islands if they wisb. Back in 1968 the only commuter flight between Jersey and Guernsey was a BEA Viscount at the beginning and end of the day.

Anrigny's other main customers are day-trippers, adventurous sboppers and sporting parties.

The airline does some charter work, such as the dasb to France to be first back with the beaujolais nouveau. Althougb Islanders bave a range of 600 nautical miles and Trilandars 520, they are rarely used for long-distance charters.

Aurigny now bas a staff of 130 and so is one of the biggest private employers in the Channel Islands. Business is good and although as a Jersey registered company Aurigny exercises its right not to reveal its annual turnover or capital assets except to the taxman, one *can get some idea of its success* from the fact that a Trilander costs £250,000 and the airline plans to bring two more into service hy the end of the year.

Load factors are bigh because Islanders can be used if eight or fewer people want to travel at a given time, and Trilanders can be used if there are between nine and 16 customers.

Cargo, generally of small parcels, newspapers and documants is used on a filler basis on scheduled flights so revenne on each trip is maximised and customers can be guaranteed same-day delivery of goods.

To service its fleet Aurigny has set up a wholly-owned subsidiary, Anglo-Normandy Engineering, which also does work for other companies and private pilots. And to market itself, the airline now also owns a printing company which produces, among other things, children's stories about the adventures of a Trilander called G-JOEY and whicb has made Aurigny a familiar name even among the archipelago's four-year-olds.

Adapting to lower tomato production

Horticulture

WILLA MURRAY

THE Guernsey Tomato Marketing Board's (GTMB) policy committee is soon to seek postal votes from 300 registered tomato growers on proposals for restructuring the producer-owned organisation.

The operation was set up by law in 1952—not without strong opposition from growers who objected to the compulsory marketing of their fruit through a central body.

The new policy report, accepted this time in general principle with little fuss at a preliminary growers' meeting, has been drawn up because of continuing decline in tomato production and gradual diversification into alternative crops.

The 65-acre Kenilworth Vineries, one of the largest commercial glasshouse undertakings in Europe, now grows pot plants, freesias, seeds and kiwifruit as well as tomatoes.

In the 1970s, Guernsey had more than 650 acres of tomato glasshouses. Today there are 200, with only 148 expected to survive through 1985. Highly organised Dutch competition based on low energy costs is held to be mainly responsible for depressing what was once the island's top export.

Time—and money—is now running out for the Guernsey Tom. A price support scheme, which came into operation in 1981 when £1m was made available—was cut this year to £600,000. It will be whittled down to £300,000 next year and to £200,000 in 1986 because of the shrinking acreage.

The GTMB is recommending no change in the exclusive handling of tomatoes, but wants the law to be altered so that it can also market non-edible produce such as flowers.

In addition, it thinks that growers of other crops such as celery, cucumber and kiwifruit now marketed through the board should have a say in its running; at present the sole prerogative of tomato producers. Some former members, the report points out, have been forced to give up their shareholding because they no longer grow tomatoes.

Even if the policy committee has its way, amendments to the 1952 law cannot take place until 1986 at the earliest, as the proposals will have to be fielded through Guernsey's parliament by the horticultural committee.

But it has been agreed that the board should go ahead with installing cold storage facilities for tomatoes at their Bulwer Avenue headquarters at a cost of around £95,000.

This will eventually include modern package equipment to improve the condition of fruit for marketing, since consistently high standards are seen as imperative to combat competition in the UK market.

Meanwhile, Guernsey's flower exports are expanding and the island now supplies 95 per cent of the UK freesia market. Total exports last year were worth £15m.

Some 67 per cent are exported under the island government's Gold Crest label. The scheme, aimed at improving quality to enhance Guernsey's reputation, paid out £284,000 in incentives to growers in 1983. Tax-payers also provided £95,000 for promotion.

About 95 per cent of flower exports are handled by Channel Express, which provides a "cool chain" from the company's cold storage headquarters at Guernsey airport to its Bournemouth depot. From here, the flowers are distributed with minimum handling to 34 UK wholesale markets in temperature-controlled trailers.

Consignments are sent mostly by sea, but the company can readily switch to air—a safeguard to growers in the event of a strike or rough weather.

About three-quarters of Jersey produce is grown outside. Last year, exports totalled £10m, with Jersey Royal new potatoes accounting for nearly £8½m. Cauliflower exports were worth about £3¾m, and tomatoes £3m. Flower exports at nearly £2¼m were £1m up on the previous year.

Jersey has a livelier home market than Guernsey, and some alternative crops—artichokes, asparagus, calabrese—reflect demand from local hotels.

The island's agriculture and fisheries committee, which pays some £700,000 annually to growers under an incentive scheme to improve the quality of their produce, also backed a £¼m advertising campaign this year for Jersey Royal potatoes.

Kenilworth Vineries, one of the largest commercial glasshouse undertakings in Europe

Outsiders made to prove worth

Residency

EDWARD OWEN

IT CAN come as a shock to British visitors who decide they would like to work or retire in Guernsey or Jersey to discover that they cannot just go into a local estate agency and buy any property they fancy.

The fact that they can travel as freely to the two islands as to the Isle of Wight is deceptive. Invisibly, they have crossed a frontier and are under new rules.

These rules were introduced after the last war to try to keep lower-priced housing for local people. Over the years they have developed into quasi-immigration controls designed to see that not too many outsiders come to live in the islands and that those who do are worth having. This usually means that the newcomer must bring in either wealth or expertise of a kind not available locally.

The popular idea that one has to be a millionaire to settle in the Channel Islands is truer of Jersey than Guernsey.

Jersey's law allows a housing consent to be granted if it can be justified on "social or economic grounds." The evidence has to be submitted by the applicant to the economic adviser, Colin Powell.

The accepted guideline is that, after paying for his house and the move, the would-be settler must be able to offer at least £10,000 in income tax at 20p in the £ — that is, be half a millionaire. However, as there is a "quota" of 15 new wealthy immigrants annually and applications usually exceed that figure, people with a higher tax liability stand the best chance. A more realistic offer price at present is upwards of £15,000 in tax revenue.

Properties bought by wealthy immigrants must cost at least £175,000 to £200,000 and be of a type not in local demand. Jersey estate agents know which houses are available under this section of the law, and prices can easily go up to £½m and occasionally close to £1m.

To settle in Guernsey one need not be anything like a millionaire. It is sufficient to have £100,000 or so to buy an "open market" house and enough left over to live on.

Guernsey's system is to reserve around 1,800 properties, entered on a special register, for occupation quite freely by newcomers. All the remaining flats and houses can be occupied by non-islanders only under licence.

There are usually about 100 "open market" properties up for sale, and prices at present range from £80,000 for a basic semi-detached or terrace town house to £½m upwards for a sizeable house in several acres of grounds.

Buyers of such houses can never acquire residential qualifications in the sense of being able to occupy any property they wish in Guernsey; they must stay on the "open market" unless a special dispensation is given on compassionate grounds. Their children, however, become residentially qualified after living in the island for 20 years.

Someone from outside going to work in Guernsey or Jersey must be recognised as "essentially employed" if he is to have a flat or a house of his own, otherwise he has to live in lodgings or staff accommodation. The employer normally makes the application on the grounds that there is no one locally with sufficient experience or skill to fill the post.

In Jersey, the essentially employed are expected to buy properties costing over £60,000 or — if they lease — pay at least £30 a week for a flat or £60 for a house. In Guernsey they are allowed to live in higher-priced "local market" houses of over £45 rateable value. This has pushed up the prices of properties over £45 rateable value, which can now cost up to £100,000-£120,000, creating in effect a third market between "local" and "open."

Under Guernsey's latest housing law, essential workers who have held a licence for 15 years acquire residential qualifications, enabling them to move job or home freely.

Jersey grants residential qualifications at present in two stages. Someone who has lived in the island continuously for ten years is allowed to lease a flat or house. After a further ten years he can buy.

However, this is in the course of being changed. Except for wealthy immigrants and essential workers, no non-islander who arrived after January 1 1980 will ever acquire residential qualifications, and restrictions are being placed even on those two groups if they obtained housing consents after November 1970.

Alderney and Sark do not have the same restrictions as the larger islands, and there are no significant obstacles to mainlanders settling there apart from the limited number of properties coming on the market.

There have been efforts in Alderney to introduce Guernsey-type housing controls, but the proposal was finally dropped last year as being a "repugnant" infringement of local householders' liberty to sell to whom they wished.

Business advantages vigorously promoted

Attracting Industry

WILLA MURRAY

GUERNSEY has just taken a major step forward in its efforts to broaden the base of its economy and provide job opportunities to replace those lost through decline in the tomato industry.

The island government is to set np e new parliamentary committee, the Board of Trade and Industry, to promote light industry and commerce. It will consist of five local MPs headed by a president, with two members possibly brought in from outside the island's parliament.

Until now, promotion and monitoring of both the finance and manufacturing sectors have been carried out by a Department of Commerce and Industry, a sub-committee of Guernsey's advisory and finance committee.

The increasing importance of finance in the island's economy makes it probable that a separate body to deal with this alone will be set up before long, leaving the advisory and finance committee free to carry ont what it was nriginally set up for—supervision of the island's budgetary and legislative policies.

This year Guernsey mounted a vigorous programme in the U.S. to promote the advantages of the island as a base for light industry.

A delegation headed by Guernsey's "chancellor," Roydon Falla, paid a nine-day visit last March to Palo Alto in the beart of Americe'a Silicon Valley.

Small units, employing around 30 to 70 staff and manufacturing high value, low volume products such as electronics, are seen as ideally suited to the island.

The ground was prepared for the delegation's visit through advertisements in business journals, direct mail shots and a public relations campaign, which resulted in 1,000 inquiries.

Inquiries were followed initially by means of information packs about Guernsey. Interested companies and representatives of the American media were invited to a presentation about the island given in Palo Alto by Mr Falla and bis team.

Delegation

Members of the delegation also conducted short informal seminars, fulfilled an intensive schedule of meetings with individual companies, and took part in radio and television business programmes.

According to a spokesman for Guernsey'e Department of Commerce and Industry, results of the Californian drive have been "very productive." One American company, Koether, which produces electronic equipment used in the food processing industry, is to start a Guernsey operation in 1985. Negotiations are taking place with two more companies wanting to establish branches by next year in the island, aeen by the Americans as a first foothold in Europe.

Example of light industry already on Jersey, the knitwear factory of Pierre Sangan.

In 1983, Gnernsey's exports from light industry were worth £59m, but the figure for 1984 is expected to top £70m.

Next year's budget for promoting light industry is £335,000 as against £285,000 in 1984, but the rise is largely due to the change in the value of the dollar rather than an increase in appropriation.

The pattern of the snccessful U.S. campaign is to be repeated in 1985, this time under the aegis of Guernsey'a new government committee.

Some of the lessons learned from the American experience—such as the value of luncheon seminars for small groups—will be edapted to promote Guernsey in the UK next year.

Promotion in the UK is aimed chiefly at the small, private business. Advertisements in the national press, brochures and back-up information highlight the advantages of Guernsey such as low tax on personal incomes and corporate profits, low rates on industrial premises, political stability and absence of bureaucracy.

Guernsey also takes part in business exhibitions, and for the third year running supplied financial backing last February to enable six local companies to feature on the island's stand at Birmingham'a International Spring Fair.

A separate sum of £8,000 bas been allocated by Guernsey's government for an Enterprise Agency run jointly with the Chamber of Commerce.

Jersey's Chamber *of Commerce* is hoping to introduce an Enterprise Agency early in the New Year. Meanwhile, local businessmen are pleased that the island government has at last decided to set up a special sub-committee to foster the interests of trade, commerce and industry.

But with unemployment running at an annual average of only 0.8 per cent of the 40,000 workfnrce, authorities in Jersey do not see themselves as being in the business of creating jobs for newcomers.

Exports from manufacturing industries were worth some £25m last year—a figure that has declined since 1980, when it was about £30m.

Celebrations set to boost tourism

Liberation

EDWARD OWEN

EVEN though the event will come nearly a year after the anniversary of the Normandy landings, Channel Islanders are hoping that the week-long celebrations being planned for early May to mark the 40th anniversary of their own liberation from German occupation will attract a lot of outside interest.

A search has started for British ex-servicemen who took part in the liberation, and contects are being made with towns in the UK that accepted refugee Channel Islanders in 1940.

The celebrations are also expected to prove a tourist attraction. To an extent that sometimes surprises islanders, visitors from the UK mainland continue to find it fascinating that Britisb communities so like their bome towns were once under Nazi rule and massively fortified on Hitler's orders.

This tourist interest is now well catered for—although not as well as it would have been if, in the first understandable zeal to be rid of every reminder of five years of censorship, curfews, shortages and isolation, so much evidence of the occupation had not been destroyed.

Nevertheless, visitors still have the virtually indestructible concrete fortifications left by the Wehrmacht, as well as occupation museums and a small library of publications on this grim chapter of local history.

There are also the reminiscences, much songht after by tourists, of older people who lived through the occupation. Although their attitudes vary according to the personal treatment they experienced, it is usually the restrictions and privations, rather than the *behaviour of the Germans*, that prove to have left the bitterest memories.

To the disappointment of atrocity-seekers, most Channel Islanders now feel they were not too badly treated—certainly not compared with other parts of occupied Europe.

Below the surface, in ways not so apparent to the average visitor, five years of enemy occupation profoundly affected the Anglo-Norman archipelago.

One of the most lasting effects has been the anglicisation that resulted from the pre-invasion evacuation of many thousands of islanders, mainly women and children, to the British mainland. Out of Guernsey's population of 42,000 at that time, 17,000 left the island.

When the evacuees returned, as most of them did, they brought back English ideas of wages, workers' rights and democratic government.

This led to demands for reform that were partly responsible for the setting-up in 1946 of a Privy Council inquiry and eventually to changes, such as the introduction of more people's deputies, in the insular systems of government.

The evacuee children came back speaking only English—in an assortment of regional accents—hastening the decline of the Norman-French patois as an everyday language. Today an islander whose local roots go back for generations is quite likely to talk with a slight North *Country* accent.

The greatest change came in Alderney, whicb had been turned by the Germans into a bleak encampment for Todt Organisation workers and political prisoners, and wbere virtually all the landmarks of pre-war life bad vanished.

To belp with the island's rebabilitation, Alderney was brought partly under Guernsey's administration, paying the larger island's rates of income tax and other levies. This arrangement, envisaged as being only temporary, has continued ever since.

The first task for the liberating force, after bringing in food and other desperately needed supplies, was to clear the islands of bnge quantities of mines, weapons and ammunition.

Ammunition

There were 30,000 tons of ammunition in Jersey alone, and as much or more in Guernsey. Most of it was dumped in the Hurd Deep, off Alderney, but in Guernsey many tons were thrown into e water-filled disused quarry.

After last summer's drougbt this cache of explosives bas suddenly resurfaced as a dangerous problem, on which the advice of Britisb Army bomb disposal experts is being sought.

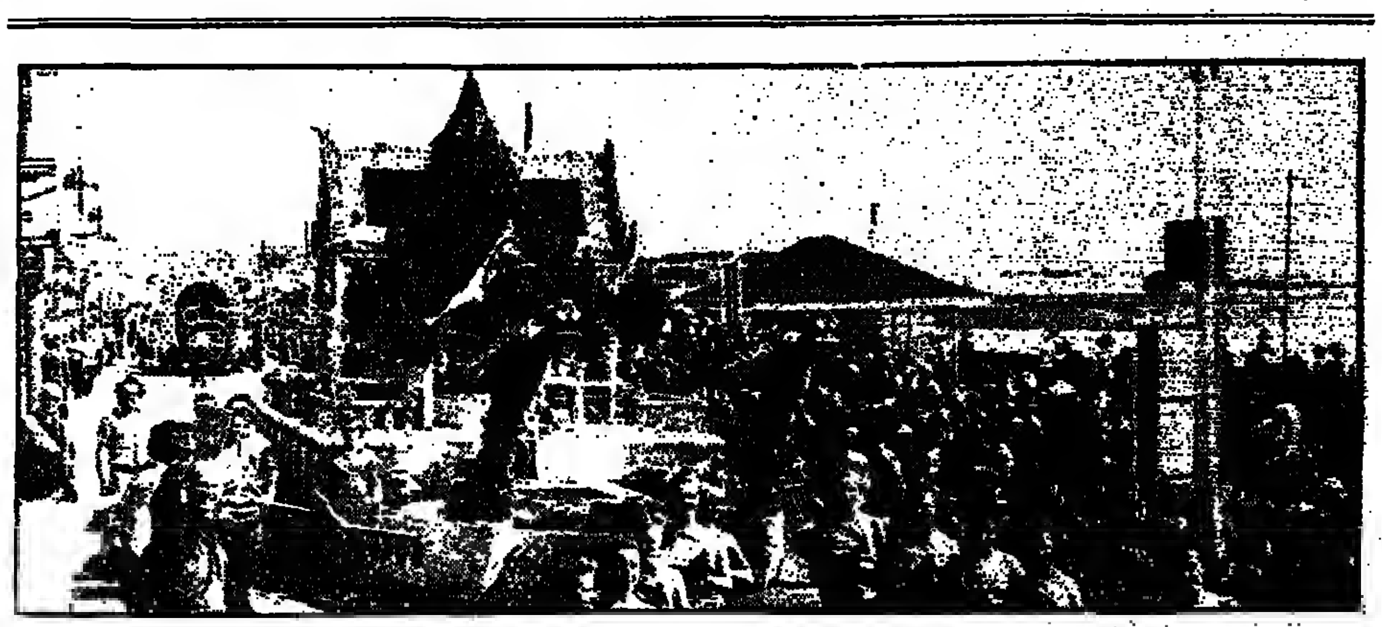
The job of clearance was finisbed by scrap merchants from Britain, some of wbom, in the steel-bungry early 1950s, mede fortunes out of the *Wehrmacbt's leavings*.

For some years after the liberation Germans were unwelcome in the islands, but this bostility has long since faded. It is not uncommon nowadays for German ex-servicemen to return with their families to take a keen interest in the occupation museums.

This nostalgia for the *Kanalinseln* is proving not unhelpful to the Guernsey and Jersey tourism authorities, who are currently trying—with some success — to build up holiday traffic from West Germany.

So it is not unlikely that among the crowds watching the cavalcades and military parades next May will be ex-members of the Wehrmacht who—demoralised and on the brink of starvation after nearly 12 months' isolation from the European mainland — peacefully surrendered to the British task force in 1945.

They may find it ironical that several of the fortifications they manned are now scheduled in Guernsey as ancient monuments.



One of the island's big tourist attractions, Jersey's Battle of the Flowers.

Early bookings lead to optimism

Tourism
EDWARD OWEN

IT IS not just because the BBC baa decided to make a fourth seriea featuring the Jersey detective, Jim Bergerac, thai there are cheerful faces in the Channel Islands tourism industry.

Bergerac has certainly been a wonderful boost to business, especially as the series has been widely shown across Europe and around the world.

But since the blue-eyed sleuth and the seascape-scanning TV cameras bave so far remained firmly Jersey-based, the other Channel Islands have got little out of the publicity except tweaks of envy.

Guernsey's only reply (apart from badges and car stickers saying: "Bergerac takes hia holidaya in Guernsey") has been its well-publicised Project Papillon butterfly-breeding scheme, which has helped to spread a colourful, carefree image of the island.

The current optimism, shared by all the islands, is due to advance bookings that suggest 1985 is going to be the best tourist season since the recession started to hit business.

There is a feeling that wbat the Anglo-Norman arcbipelago bas to offer to the British—a passport-free step abroad with no currency worries, clean beaches and familiar food and English spoken everywbere—is in growing demand again. As Senator John Rothwell, president of Jersey's tourism committee, put it: "We are back on course."

It was welcome news in tha islands when UK tour operators warned thai tha prices of Spanish holidays were going to bave to go up by as much as 20 per cent next year.

Cheap packages to Mediterranean resorts bave been making the Channel Islands look expensive in bigh street travel agencies—even though, as local tourism officials point out, all the extras such as trips and nights out are much cheaper in Jersey and Guernsey than in Majorca.

The problem has been that the cost of flying by scheduled airline from Britain—still by far the islands' most important tourist market despite inroads into other parts of Europe—has seemed disproportionately high compared with charter-based holidays to more distant places.

As a result of more charter operations, part-charter and bulk traffic deals with the scheduled carriers, and incentive fares for the individual traveller, air holidays in the islands are now beginning to look more competitive.

Local hoteliers have generally accepted that tariff increases must be limited to the rise in the cost of living—which, for 1985, means going up by 5 per cent to 6 per cent. Daily half-board rates with a private bath next season will range from £12-£14 in April and £15-£16 in July at family hotels up to three times that price at the most expensive establishments.

A few package holidays will actually cost less than in 1984, and nona will be going up by anything like as much as the average Spanish holiday.

One of the main tour operators, Gala, has 100,000 holidays on offer to Jersey, Guernsey and Alderney, starting at £60-£70 for seven days and running up to £350-£400 for "elite" hotels in the high season.

In Continental Europe, where Jersey and Guernsey between them are spending about £¾m on promotion, the islands' Britishness is one of their attractions, along with their universal appeal as peaceful and pretty offshore playgrounds.

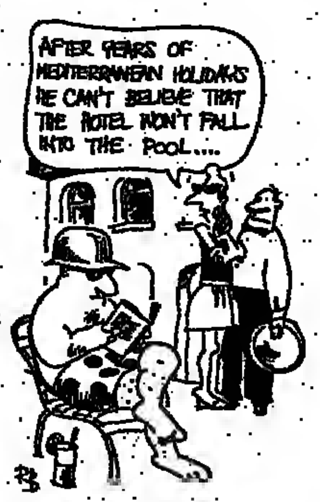
Jersey's annual Good Food Festival always gets its best coverage in France, where the island bas gained a reputation as a gastronomic paradise.

Continental European visitors also tend to be rather more interested than the British in the Channel Islands' history and in the surprisingly rich archaeological heritage.

Publicity for the 100th anniversary next year of the death of Victor Hugo, who lived for 20 years in the Channel Islands and whose house in Guernsey is preserved, as he left it, by the City of Paris, will be directed almost entirely at the French market.

Meanwhile, the islands expect to benefit from the bad publicity certain Mediterranean resorts have been attracting this year because of increasing crime and violence.

While local tourism officials feel it would be unethical to try to make too much capital out of this, they are hoping travel agents will remind clients that the Channel Islands are well-behaved communities where visitors can stroll about quite safely, even at night.



Competition brings better service

Transport Links
EDWARD OWEN

THE Channel Islands are ending a year of anxiety about their future shipping services with the prospect of soon enjoying the best sea connections they have ever had with the English and French mainlands.

The anxiety was caused by the pending sale of Sealink, the only passenger and car carrier between the islands and the English south coast apart from a small seasonal operation from Torquay.

Often reminded that Sealink's services to Guernsey and Jersey were running at a loss, the island authorities feared that a private owner might drastically reduce winter sailings. Top-level delegations were sent to the Home Office and Sealink's headquarters to try to ensure that this did not happen.

The islands' worst fears seemed to be justified when James B. Sherwood, president of Sealink's new owner, Sea Containers, describing the Channel Islands routes as "the main problem child of the company," made it known that the initial thinking was to turn the overnight Portsmouth service into a freight-only operation and concentrate all the islands' tourist traffic on no-cabin daytime sailings from Weymouth.

It was at this point that Brittany Ferries and the Jersey-based Hoelin group, which had for some time been studying the potential for competing with Sealink, disclosed that they had jointly formed a company, Channel Island Ferries, to run a year-round Portsmouth - Jersey - Guernsey passenger, car and freight service.

This news was followed within days by the announcement by Sealink of what it called—rightly, from the islands' standpoint—a "dramatic move."

Far from cutting the islands' services, the company planned to bring a fourth passenger ship into the sector, upgrade the whole fleet at a cost of many millions of pounds, and link Guernsey and Jersey for the first time with Cherbourg.

The worry then was whether acceptable time-slots could be found on the local harbour ramps for all next season's car ferries. Since then one of the proposed services, planned from Torquay, has been dropped because of the refusal of the Torbay council to allow a ramp to be built. Instead the company involved, Torbay Seaways, is to run a hydrofoil service to the islands from Torquay.

Once the competing schedules of the carriers had been sorted out, the islands found themselves with what Senator Bernard Binnington, chairman of Jersey's transport advisory council, called "the best and most varied ferry services we have ever had."

Sealink's boldest innovation is to turn the *Portsmouth-Channel Islands* overnight crossings into a de luxe "Starliner" service, reducing the number of passengers carried from 1,200 to 400 and putting up fares by over 100 per cent in return for a package that will include dinner, en-suite cabin and full English breakfast.

Two ships, instead of one previously, will operate the Portsmouth service from next April. They are to be the 4,478-ton Earl Granville and the 3,764-ton Earl William—existing Channel Islands ferries that are being handsomely upgraded by yacht interior designer Jon Bannenberg.

The same two ships, with the cabins converted to en-suite day rooms and capacity raised to 600 passengers, will operate year-round daytime services between Portsmouth and Cherbourg, and between the French port and the Channel Islands.

For its more popular-priced Weymouth-Channel Islands "Sunliner" service, Sealink is taking the 3,715-ton *Ailsa Princess*, renamed the *Earl Harold*, from the Weymouth-Cherbourg run to operate alongside an existing Channel Islands ship, the 3,999-ton *Earl Godwin*.

These ferries will serve the islands on a criss-crossing day-time pattern that will in effect give Guernsey a Weymouth ship to itself.

New pattern

Channel Island Ferries is to start its sailing on March 29, two days before Sealink changes over to its new pattern of operations. The rival Portsmouth service will run on six days a week throughout the year and on seven days in the tourist season.

The company is to use Brittany Ferries' 4,250-ton *Benodet*, previously on the Roscoff-Plymouth run, renaming it *Corbiere* and extensively refurbishing it before it goes back into service.

Channel Island Ferries is undercutting Sealink's de luxe rates on the Portsmouth route by around 50 per cent, with basic return fares (seat only) of £46 mid-week in April and May up to £56 at weekends in July and August.

The Cherbourg service will not be the archipelago's only new link with the French coast. The French company, Emeraude Ferries, which has run a car ferry service from St Malo to Jersey since 1977, is to introduce direct sailings to Guernsey next season.

The Guernsey-based hydrofoil company, Condor, which has carried nearly 4½m passengers on routes linking the islands and St Malo since it began operations in 1964, is to bring a third vessel into service

SECTION II – COMPANIES AND MARKETS

FINANCIAL TIMES

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Happy Christmas from TAYLOR WOODROW

Auction by Sweden highlights shrinking role for Libor

BY PETER MONTAGNON IN LONDON

SWEDEN scored another success in the Euromarkets last week when its invitation to banks participating in last summer's $4bn loan facility to bid for £100m in short-term advances attracted offers totalling £408m.

That was the first time that Sweden has used the advances mechanism to draw on the facility. Although they are short-term borrowings like Euronotes, which have been used twice previously, the advances are in effect straightforward bank loans that cannot be sold on to non-bank investors in the securities markets.

That made the yield at the auction of special interest to banks anxious to know what price a pure banking transaction for Sweden would fetch. Predictably, the yield was low enough to fuel the dismay of those banks that are growing increasingly concerned over the erosion of margins on credits to top-quality borrowers.

Only eight bids were successful and the average yield was 11.53 basis points over the London interbank bid rate (Libid) for sterling deposits, with the lowest accepted margin 8.25 points and the highest 12.5 points.

Mr Peter Engstrom, head of Swedeo's National Debt Office, said on Friday that the result meant an even lower cost of borrowing than Sweden had aoticipated; however, it was too early to draw any firm conclusions after the result of one auction.

None the less the auction does appear to confirm one trend that has become apparent over recent months. That is that the London Interbank Offered Rate (Libor) is becoming increasingly irrelevant, at least for deals involving top-rated borrowers. Libor, which is normally ⅛ point higher than Libid, was until this year seen as a rock-bottom reference rate as it was thought more or less to equate with banks' actual cost of funds.

At this point two questions arise. What could possibly replace Libor as a reference rate? How can banks manage to lend at rates lower than Libor without actually incurring a loss?

An answer to the first question could be the total disappearance of bank deposit rates as a yield reference for top quality borrowers in the Euromarket.

As for the second question, bankers believe that the short-term advance to a country like Swedeo is seen by big banks as an alternative to placing surplus funds io the deposit market at, say, Libid itself. A bank which is temporarily long in sterling might find the advance an appropriate place to park its funds while it unwinds the position or looks for a better long-term lending opportunity.

Lloyds Bank International, meanwhile, launched an innovative £15m deal in the acceptance market last week in the form of a five-year facility for the French chemical concern Rhône-Poulenc. This is believed to the first deal where the acceptances will be sold oo a competitive bidding basis to a tender panel of banks. The maximum commission is 15 points, but banks will also receive a 10-points underwriting fee.

It is to be followed in the new year by a similarly structured £80m, three-year deal arranged by S. G. Warburg for the New Zealand Dairy Board. Given Bank of England restrictions this is just about the closest instrument available in sterling to a note issuance facility (NIF). There is still one big difference, however, in that it is a pure banking deal which does not involve non-bank investors.

Samuel Montagu said on Friday that it had completed arrangements to halve the $100m credit it was arranging for two Trinidadian borrowers. That had been achieved by dropping one of the borrowers from the deal, which was now to be raised in the name of the country's Methanol company.

EUROBONDS

Novel FRN from Morgan Grenfell takes off

CHRISTMAS is coming, even in the Eurobond market, but syndicate managers were kept on their toes last week by some interesting deals, writes Maggie Urry in London.

Anyone who came back from too good a Christmas lunch on Thursday would bave bad to look twice as a $155m floating rate note issue from an unknown borrower priced on fine terms. The issue, lead managed by Morgan Grenfell, took a little explaining.

It was made by a new company called Credit for Exports (CFX), to fund a loan to Brazil; part of the refinancing of some of that country's trade debts with Britaio. That loan is guaranteed by the UK Government's Export Credits Guarantee Department (ECGD). CFX is jointly owned by Morgan Grenfell and a trustee company, Law Debenture Corporation.

If Brazil fails to pay, the ECGD steps in.

Because Credit for Export has to match exactly its borrowings and loans, the guarantee effectively flows through to iovestors in the FRN. So for the first time Eurobond investors can buy paper which is almost as good as UK Government debt.

Once syndicate managers caught on the deal started to fly and held above par. No doubt Morgan Grenfell (and its competitors) hope to use the structure again – and there are plenty of countries in Brazil's position.

On Friday afternoon Merrill Lynch launched an issue of 50,000 warrants – without any boods – for PKbanken. The five-year warrants were priced at $11 – a much lower price than has been usual in the receot fashion. As a counterbalance the warrants buy into a seven-year bond with an 11½ per cent coupon. That coupon is a good balf point less than PKbankan would have to pay right now if it made a fixed rate issue.

The fixed rate Eurodollar market is slowly digesting a banquet of an issue from Prudential Insurance of America. The total size of the deal topped $1bo, coming in three tranches. The two-fixed-rate portions were proving easier to swallow than the zero coupoo part, but all three sbould eventually be sold, because of tasty pricing by Salomon brothers.

In months to come the issue may become a benchmark in the market, as its size will ensure good secoodary market liquidity.

Meanwhile, it makes it rather tough for any other U.S. corporate to come to the market with a fixed rate deal.

Those considerations do not apply to Japanese borrowers though, and Shikoku Electric Power was able to get away with pricing a $50m five-year issue with a 11¼ per ceot coupon. Buying interest from Japao was sufficieot to make the deal work.

Shikoku was just ooe of Nomura International's four deals last week. That house also launched, and twice raised, a dollar floater for Credit Lyonnais, where the Far East was again the target for sales.

Nomura had a tougher time with a couple of Euroyen issues. These rely more on traditional Eurobond investors – like the Swiss – and as a result pricing is getting tricky.

Japanese investors prefer sovereign debt to corporate issues. The Swiss like corporates more than sovereigns. Added to that, the pricing of Euroyen and Samurai issues is diverging, with Euroyen issues with lower coupons.

So Nomura's setting of a 6¾ per cent coupoo for a Denmark issue, after a 6⅝ per cent coupon for a United Technotogies deal with the same maturity, must have taken some thought.

The Denmark deal took a while to lauoch and by Friday evening was still oot trading actively. Dealers were complaining, bowever, that it was hard to find a tradiog level for the United Technologies issue which appeared at the beginning of the week.

The bulldog market bas been allowed another issue, oow that the British Telecom sale is out of the way. Baring Brothers priced the £100m deal for IADB to take maximum advantage of the tax rules on deep-discounted bonds – which allow a ½ per ceot uplift a year. The issue bas a 30-year life and was priced as close as possible to 85 – at 85.81. That meant a coupoo of under 10 per cent – a breakthrough which could attract other borrowers.

The issue was over-subscribed, but a weak gilt market on Friday meant that the bond traded just below the £30 paid level. It stays in that partly-paid form until next June.

The West German issuing banks are giving themselves a good Christmas break. After Friday's DM 100m issue for the European Coal and Steel Community and this week's DM 500m issue for the World Bank there is nothing on the new issue calendar until January 7. Then it is a deal a day for two weeks.

The ECSC issue, lead managed by Dresdner Bank, went well and traded close to the 99½ issue price.

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead Manager	Offer yield %
U.S. DOLLARS							
Komori Printing ¶‡	30	1990	5	8	100	Yamaichi Int., Fuji Int. Fin., CSFB, Merrill Lynch	8.000
IASMO §	45	1999	15	[9¼]	(100)	Citicorp Int., Mgn. Grenfell	*
Toyo Menka §‡	50	1999	15	[3¾]	100	Nomura Int., Nikko Secs (Eur), Tokai Int.	3.750
Prudential Realty ‡	396.05	1992	7	11⅞	100	Salomon, CSFB, Prudential-Bache, Hambros	11.075
Prudential Realty ‡	545.69	1995	10	12⅛	100		12.125
Prudential Realty ‡	365.22	1999	14	0	20.85		11.850
Credit Lyonnais (b)†‡	250	1999	15	⅛	100	Nomura Secs., Cr. Lyonnais, Saudi Int. Bk	–
Forretningsbanken (c)†‡	30	1997	12	⅛	100	BoA Int., BNP, Bk of Yokohama	–
Shikoku Elec. Power ‡	50	1990	5	11¼	100	Nomura Int., IBJ Int., UBS (Secs)	11.250
Credit for Exports (b)†‡	155	1922	8	⅛	100	Morgan Grenfell	–
AUSTRALIAN DOLLARS							
State Bk of New Sth Wales ‡	40	1990	5	12¾	100	Mgn. Stanley, S. G. Warburg, Salomon	12.750
D-MARKS							
Mitsubishi Metals ¶‡	100	1989	5	3⅛	100	Dresdner, Yamaichi Int.	3.125
Renown Inc. §‡	80	1990	5	3⅛	100	Deutsche Bank	3.125
Commodore Fin. ‡	100	1992	7	7½	100	Bayerische Vereinsbank	7.500
Nippon Shinpan ¶	200	1890	5	– 3⅛	100	Dresdner, BHF-Bank, Daiwa Eur.	*
EIB ‡	300	1994	10	7¼	100	Deutsche Bank	7.250
ECSC ‡	100	1992	6½	7	99½	Dresdner Bank	7.084
SWISS FRANCS							
Ishihara Sangyo **§‡	100	1990	–	2	100	Swiss Volksbank	2.000
Tec Electronics **§‡	20	1990	–	2	100	Banca del. Sviz. Ital.	2.000
Renown Inc. **§‡	100	1990	–	2	100	UBS	2.000
South Africa **‡	55	1991	–	6¼	100	UBS	6.250
SWISS FRANCS							
Keihin Elec. Ex. Rail. **¶	50	1990	–	(3⅞)	100	Credit Suisse	*
Ohto Co. **‡	20	1989	–	5¾	100	SBC	5.750
Heron Int. Fin. ‡	100	1995	–	6	100	Soditic	6.000
STERLING							
IADB ‡	100	2015	30	9¾	85.81	Baring Bros.	11.439
Credit Foncier (c)†‡	100	2000	15	⅛	100	S.G. Warburg	–
ECUs							
ECSC ‡	25	1995	10	10	100	Bqe. Gen. du Luxem., BIL	10.000
Banco di Roma (d)†‡	75	1992	7	¹⁄₁₆	100	Mitsubishi Fin., Banco di Roma Int., BoA Int., Cr. Lyonnais, Deutsche, Soc. Gen. de Bqe	–
Peugeot Fin. Int.	50	1990	5	10¼	*	Soc. Gen. de Bqe., Lazard Freres et Cie	*
GUILDERS							
Credit Foncier ‡	200	1995	8	7¾	100	ABN, NMB, AmRo	7.750
NORWEGIAN KRONE							
Eksportfinans ‡	250	1992	7	10¼	100¼	Christiania Bank	10.198
YEN							
World Bank ‡	20bn	1994	10	6⅝	99½	Daiwa Secs.	6.695
United Technologies ‡	25bn	1992	7	6⅝	100	Nomura Int., Bk of Tokyo, Citicorp, Dai-Ichi Kangyo, Daiwa Secs., Mitsubishi Trust, Sumitomo Fin.	6.625
Korea Exchange Bk ‡	30bn	1994	9	6.9	99.45	Nomura Secs.	6.984
Denmark ‡	20bn	1992	7	6¾	100	Nomura Int., CSFB, Mitsubishi Trust, Mgn. Stanley, LTCB	6.758
Ind. Fin. Corp. India **‡	5bn	1994	9	7.6	100	Daiwa Secs.	7.600

* Not yet priced. ‡ Final terms. ** Private placement. § Convertible. † Floating-rate note. ⌀ With debt warrants. ¶ With equity warrants. (a) ¼ over 3-m Libor. (b) ⅛ over 6-m Libor. (c) ⅛ over 3-m Libor. (d) ¹⁄₁₆ over 6-m Libor 1st. 3-yrs; ⅛ over 6-m Libor last 4 yrs. Note: Yields are calculated on AIBD basis.

INTERNATIONAL CAPITAL MARKETS

US MONEY AND CREDIT

Speculation mounts of further Fed easing

THE Federal Reserve Board's policy making Federal Open Market Committee (FOMC) meets today and tomorrow against the backdrop of mounting Wall Street speculation about a further easing of monetary policy, perhaps including an early cut in the discount rate.

This bullish mood in the U.S. credit markets reflects the latest retading by senior economists of the mixed economic statistics emerging in the fourth quarter, the low FED funds rate level, the banking statistics and, perhaps most importantly, the sharp and unexpected $7.1bn decline in M1 reported last week. This leaves the basic money supply measure just $2bn above the bottom end of its 4-to-8 per cent long-term target range.

U.S. MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (weekly average)	8.55	8.80	9.55	11.77	8.55
Three-month Treasury bills	8.06	8.36	8.51	10.77	8.06
Six-month Treasury bills	8.25	8.61	8.84	10.83	8.25
Three-month prime CDs	8.65	8.35	9.38	11.00	8.65
30-day Commercial Paper	8.50	8.85	9.15	11.38	8.50
90-day Commercial Paper	8.65	8.75	9.10	11.40	8.60

U.S. BOND PRICES AND YIELDS (%)

	Last Friday	Change on week	Yield	1 week ago	4 wks ago
Seven-year Treasury	103¾	+½	11.56	11.59	11.61
20-year Treasury	99⅞	+¼	11.70	11.81	11.79
30-year Treasury	101⅛	+⅜	11.58	11.65	11.67
New 10-year "A" Financial	—	+¼	12.25	12.30	12.38
New "AA" Long utility	—	+1¼	12.60	12.75	12.63
New "AA" Long industrial	—	+2	12.25	12.50	12.38

Source: Salomon Bros (estimates).

Money Supply: In the week ended December 3 M1 fell by $7.1bn to $547.1bn. In November M2 rose by $28.8bn to $2,346.2bn and M3 rose by $36.7bn to $2,955bn.

Indeed, some economists, like Mr David Jones of Aubrey Lanston and Mr Philip Braverman of Briggs Schaedle, believe the Fed may have already begun further monetary accommodation in an effort to resimulate lagging monetary growth and put some pep back into the economy.

Mr Jones says, "the Fed appears to be threatening to cross on important policy threshold. It may be on the verge of moving from passive accommodation to active accomodation. This significant step towards much greater easing would involve a further decline in the Fed's current $500m target for bank adjustment as well as seasonal borrowings at the discount window."

Mr Braverman agrees that "a further Fed easing has begun," citing as evidence the continuing decline in the funds rate and the absence of a Fed operation to drain reserves towards the end of the week." Indeed a discount rate reduction seems imminent," he says, adding, "it is all the more significant that this latest Fed initiative is being put in place despite signs that the economy is beginning to regain momentum and that the broader monetary aggregates are accelerating."

Not all senior economists agree that the FOMC will authorise a further easing of the monetary reins. Some believe the Fed will wait for further evidence on the state of the economy. What is more, virtually every Wall Street economist is involved in the seasonal dusting-off of crystal balls. Most see higher rates by mid-1985.

For the moment, however, the short-term bulls can again count among their number Dr Henry Kaufman, Salomon Brother's chief economist. Writing in his weekly comments on credit, Dr Kaufman says, "the mixed and uncertain signals emanating from the economy and the money markets will probably cause the Fed to err on the side of further accommodation. This decision is likely to lead to a prompt and somewhat aggressive effort to head-off pressures in the money markets and as a result the Federal Funds rate will trade consistently in a range of 8 to 8.5 per cent."

In the wake of Treasury Secretary Donald Regan's latest attack on the Fed's "too-tight" money policy and his revelation that a "low-level" Treasury study is underway of a plan that would put the Fed under some sort of Administration control, Dr Kaufman adds that the Fed's failure to ensure a revival in manufacturing and continued gains in spending "would bring unfortunate economic consequences and would also heighten the risk of unwanted political fall-out that might ultimately compromise the Fed's independence. On the flip side, the risks appear relatively modest."

This week brings another batch of economic numbers including November housing starts tomorrow, the flash fourth quarter GNP estimate, and the revised third-quarter GNP figures on Wednesday, and the November consumer price index on Thursday.

Meanwhile, the Treasury will be back in the markets at the start of the year-end financing round, auctioning $9bn of two-year notes on Wednesday and $8.5bn of one-year bills on Thursday.

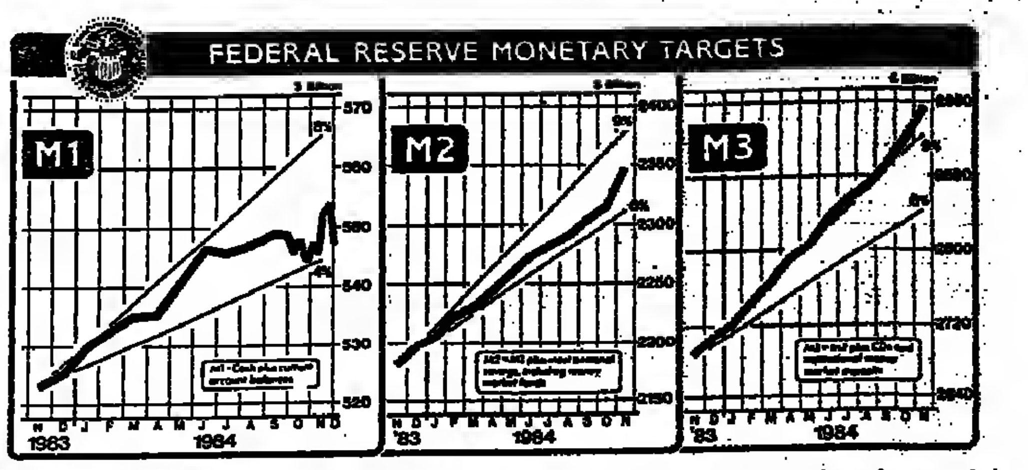
These sales could dampen the current positive mood of the markets, reflected in across-the-board bond price gains last week despite an unexpectedly strong 1.6 per cent November retail sales increase which depressed prices on Thursday. Government bond prices rose by ¼ and ½ points on the shortest and longest maturity issues respectively, while medium-term notes rose by slightly less. The Treasury long bond closed at 101⅛, up ⅜ on the week to yield 11.59 per cent.

In the money markets, T-Bill rates followed the funds rate down. The funds rate hit the 8.25 per cent level on Friday while most other short-term rates fell by between 10 and 40 basis points leading to a further 25 basis point widening in the Treasury yield curve to 316 basis points.

Corporate bond prices rose by ⅛ and ⅜ points on medium and long-term issues respectively while new issue rates were five to 25 basis points lower. New issue volume remained flat with $1.36bn of new paper brought to market.

Among the new issues Manufacturers Hanover continued its capital raising efforts designed to bolster its primary capital ratio by selling $100m of four-year 11.25 per cent notes at par. The Arizona-based subsidiary of the British Heron International group, sold $100m of 10-year floating-rate mortgage-backed bonds, American Healthcare sold $80m of 20-year 15 per cent bonds at par, ACF Industries sold $400m of 15.25 per cent 12-year sinking fund debentures to yield 15.5 per cent and Kellogg sold $150m of 30-year 12.25 per cent bonds to yield 12.31 per cent.

Paul Taylor



UK GILTS

Underlying trend of M3 in doubt

EVERYONE in the gilt-edged market expected last Tuesday's money supply figures to be bad. But a monthly increase in sterling M3 of a size last seen in 1980 when inflation was running at 18 per cent shocked even the most hardened pessimists.

The market promptly lost a point and drifted lower for most of the rest of the week before hopes of a U.S. discount rate cut brought a partial rally on Friday. The general consensus among brokers, however, was that the price falls could have been much worse.

Despite concern over the strong trend of public borrowing suggested by the partial data in the figures, most investors had given the Government the benefit of the doubt when it said that sterling M3 had been hopelessly distorted by the British Telecom issue.

What else could explain an increase of 2.75 per cent, which pushed up the measure's annual growth rate since February to 12.25 per cent. In the event, the money markets remained calm and there was no discernible upward pressure on interest rates.

The trouble with the figures, however, is that although a massive liquidity build-up can be seen in the banking system ahead of the BT issue, it is impossible to judge with any certainty how that affected the different credit counterparts of sterling M3.

Robert Thomas of W. Greenwell gives a detailed breakdown of the numerous possibilities in the broker's monthly bulletin published today.

But the best guess of the authorities still seems to be that without the BT issue all the counterparts would have been different in some way—though to what extent remains a mystery.

The market understandably finds it unnerving that the authorities are not sure what is happening to the underlying trend of sterling M3.

In addition, the picture is not expected to be much clearer until late January, because the money figures for the December banking month just ended will also have been distorted by the BT issue.

Sterling M3 will have been affected by the fact that of mank cheques sent to BT investors for shares they were not allocated, were still in the banking system as the month ended, while many other might not have been cashed.

The narrow money measure, M0, will have been distorted upwards by a rise in the balances which banks hold at the Bank of England.

The conclusion being drawn by many in the market is that the authorities will soon seek to resume a fairly aggressive funding programme to guard against the underlying growth of sterling M3 moving too far off course.

Mr Thomas, for example, believes that even without the problems caused by BT the money supply measure would have been right at the top of its 6 to 10 per cent target range.

The prospect of substantial gilt sales, he adds, is likely to dampen any rise in the market, while leaving it vulnerable to other adverse influences.

Stephen Lewis of Phillips & Drew also warns that in the past "distortions in sterling M3 have quite often hardened into trends."

And investors will be looking very closely at tomorrow's full public sector borrowing requirement figures to see just what is happening to government spending.

Philip Stephens

FT/AIBD INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Price	Chg. on week	Yield
Aegon Insur 11⅞ 91	[illegible]	[illegible]	[illegible]	11.68
AMEC O/S 11¼ 94	[illegible]	[illegible]	[illegible]	11.89
All Nippon Air 14 94	[illegible]	[illegible]	[illegible]	11.99
Amer Saving 12 89	[illegible]	[illegible]	[illegible]	11.65
Amer Saving 12¾ 89	[illegible]	[illegible]	[illegible]	11.71
Asia Dev Bk 11⅛ 93	[illegible]	[illegible]	[illegible]	11.91
Australia 11⅜ 90	[illegible]	[illegible]	[illegible]	10.75
Australia 11⅝ 95	[illegible]	[illegible]	[illegible]	11.49
Australia 11⅞ 96	[illegible]	[illegible]	[illegible]	11.50
AIDC 11 89	[illegible]	[illegible]	[illegible]	11.41
Austria 9⅞ 92	[illegible]	[illegible]	[illegible]	11.58
Bk America 12 87	[illegible]	[illegible]	[illegible]	11.67
Bk Nova Scotia 3⅝ 07	[illegible]	[illegible]	[illegible]	12.11
Bank of Tokyo 11⅜ 90	[illegible]	[illegible]	[illegible]	11.91
Bank of Tokyo 13⅛ 91	[illegible]	[illegible]	[illegible]	12.11
Beneficial O/S 12 91	[illegible]	[illegible]	[illegible]	12.47
Br Col Hydro 11⅛ 93	[illegible]	[illegible]	[illegible]	11.86
Br Col Hydro 12⅛ 14	[illegible]	[illegible]	[illegible]	12.94
Br Col Hydro 12¾ 13	[illegible]	[illegible]	[illegible]	12.94
Britoil Fin 11⅞ 90	[illegible]	[illegible]	[illegible]	11.82
CCCE 12⅝ 91	[illegible]	[illegible]	[illegible]	12.26
Canada 10⅞ 86	[illegible]	[illegible]	[illegible]	10.98
Canon Computer 5 88	[illegible]	[illegible]	[illegible]	0.00
Citicorp O/S 10 86	[illegible]	[illegible]	[illegible]	11.11
Citicorp O/S 10½ 90	[illegible]	[illegible]	[illegible]	11.91
Citicorp O/S 11½ 89	[illegible]	[illegible]	[illegible]	12.41
Citicorp 11⅛ 90	[illegible]	[illegible]	[illegible]	12.03
Citicorp 11⅛ 89	[illegible]	[illegible]	[illegible]	11.66
Citicorp O/S 14 94	[illegible]	[illegible]	[illegible]	13.57
CNCA 13⅛ 91	[illegible]	[illegible]	[illegible]	12.05
Coastled Int 12⅞ 89	[illegible]	[illegible]	[illegible]	11.68
Comp Bancaire 13⅞ 90	[illegible]	[illegible]	[illegible]	12.82
Comsat 12⅛ 91	[illegible]	[illegible]	[illegible]	13.23
Creditanstalt 13⅞ 91	[illegible]	[illegible]	[illegible]	12.23
Dai-ichi Kangyo 12⅜ 90	[illegible]	[illegible]	[illegible]	11.89
Dart & Kraft 7⅛ 89	[illegible]	[illegible]	[illegible]	8.36
Denmark 11⅞ 90	[illegible]	[illegible]	[illegible]	11.50
Denmark 12 91	[illegible]	[illegible]	[illegible]	11.94
Denmark 12⅛ 93	[illegible]	[illegible]	[illegible]	12.20
Denmark 13 91	[illegible]	[illegible]	[illegible]	12.11
Denmark 14 91	[illegible]	[illegible]	[illegible]	12.69
Gen Nomko Cr 11⅛ 91	[illegible]	[illegible]	[illegible]	13.02
Den Nomko Cr 11⅝ 91	[illegible]	[illegible]	[illegible]	12.62
Digital Equip 11⅜ 89	[illegible]	[illegible]	[illegible]	11.25
Dutch St Mines 11⅛ 91	[illegible]	[illegible]	[illegible]	11.57
EBCO Intl 12 91	[illegible]	[illegible]	[illegible]	12.91
Exportfinans 11⅞ 90	[illegible]	[illegible]	[illegible]	11.82
Eurofima 12⅛ 91	[illegible]	[illegible]	[illegible]	11.85
EEC 10⅞ 90	[illegible]	[illegible]	[illegible]	12.39
EEC 11 87	[illegible]	[illegible]	[illegible]	11.17
EEC 11⅛ 90	[illegible]	[illegible]	[illegible]	11.57
EEC 12 93	[illegible]	[illegible]	[illegible]	11.79
Euro Inv Bk 11⅞ 90	[illegible]	[illegible]	[illegible]	12.24
Euro Inv Bk 11⅛ 91	[illegible]	[illegible]	[illegible]	11.77
Euro Inv Bk 11⅝ 93	[illegible]	[illegible]	[illegible]	13.76
Euro Inv Bk 12⅛ 92	[illegible]	[illegible]	[illegible]	12.77
Euro Inv Bk 12⅛ 94	[illegible]	[illegible]	[illegible]	11.93
EDC 11⅛ 89	[illegible]	[illegible]	[illegible]	11.64
Export & Import 13⅝ 91	[illegible]	[illegible]	[illegible]	12.02
Farm Cred Cpn 11⅞ 93	[illegible]	[illegible]	[illegible]	11.41
Finnfed Mich 13⅞ 91	[illegible]	[illegible]	[illegible]	11.01
Florida Fed 12⅜ 89	[illegible]	[illegible]	[illegible]	11.61
G. E. Credit 86	[illegible]	[illegible]	[illegible]	12.29
General Elec 9⅛ 91	[illegible]	[illegible]	[illegible]	11.64
[illegible]	[illegible]	[illegible]	[illegible]	11.85
[illegible]	[illegible]	[illegible]	[illegible]	11.19
Gen Elec Cred 11 91	200	99⅞	+0¼	11.18
Gen Elec Cred 11 94	200	99⅛	0	11.70
Gen Motors Ac 11½ 90	100	101⅞	−0½	11.08
Gen Motors Ac 12¾ 88	200	100½	0	12.49
Gen Motors Ac 13 86	200	102	+0¼	11.39
GZB 14 91	100	105⅝	−0¼	12.72
Giro Vienna 13⅜ 91	75	102⅜	−0¼	12.69
GTE Finance 12 93	75	100¼	+0¼	11.93
Gulf Oil 10⅞ 94	100	93⅛	0	11.44
Gulf Oil 12⅛ 87	100	101½	−0⅛	11.60
Gulf & Western 12⅞ 88	100	97⅞	−0⅛	12.81
Hell Air Fin 12⅜ 91	100	99⅛	+0	12.35
IBM Credit 13⅝ 87	100	104⅛	+0¼	12.42
IBM 12⅞ 92	200	107⅞	0⅛	10.74
IC Industries 11⅞ 98	75	96⅜	0	12.37
Ind Bk Japan 11⅛ 89	125	99⅞	0	11.70
Ind Bk Japan 11⅞ 91	100	100¼	−0⅛	11.73
Ind Bk Japan 13⅞ 91	125	109¼	−0⅛	11.73
IAOB 12⅛ 93	120	102⅛	0	11.85
Int Bk Rc Dv 11⅛ 00	200	97⅞	−0⅛	11.75
Int Bk Rc Dv 11⅛ 89	200	99⅜	−0⅛	11.47
Int Bk Rc Dv 12 93	200	101⅛	−0⅛	11.76
Int Paper 12 91	75	101⅞	+0⅛	11.53
Int Stand Elec 97	112	22	−0⅛	13.16
Int Stand Elec 12 96	75	97⅜	0	12.44
III 12 89	100	100⅝	−0⅛	11.69
Itoh 7½ 96	50	0		
ITT 11⅜ 89	125	98⅛	−0⅛	11.94
Japan Airlines 12½ 94	70	105⅛	−0⅛	11.53
Japan Dev Bk 11⅞ 91	100	101⅛	+0⅛	11.85
Kyowa Fin HK 12⅞ 00	100	102⅛	0	12.24
Lac Minerals 0 89	50	96½	−0⅛	0.99
Long Term Cred 10⅜ 90	100	95⅜	0	11.91
Long Term Cred 11 90	100	98⅜	0	11.90
Long Term Cred 11⅞ 89	100	99⅜	+0⅛	11.95
Long Term Cred 12 93	100	100½	+0⅛	11.90
Long Term Cred 12⅜ 90	85	104½	+0⅛	11.37
Long Term Cred 15⅛ 93	125	100	−0⅛	13.38
Macy R. H. 11⅜ 91	100	99⅞	0	11.80
McDonalds Fin 11⅝ 94	75	99	−0½	11.80
Metro Tokyo 12⅞ 94	50	106½	+1⅛	11.86
Minebea 6⅜ 88	100	99⅜	−1	0.35
Mitsubishi 5⅝ 89	100	97½	0	0.49
Mitsubishi Cp 12⅜ 91	100	106	0	11.11
Mitsub Cas Ch 6⅞ 89	50	00	−1	9.00
Mitsui Eng 7⅛ 89	50	82	+1⅛	9.82
Mitsui Tst Fin 12 91	100	99⅜	−0⅛	12.10
Montreal Urban 12 90	75	98	+0½	12.23
Mgn Guaranty 12⅜ 89	150	101⅛	0	11.82
Mount Isa Fin 13⅜ 87	100	103⅛	0	11.90
Ned Gasunie 11⅜ 90	75	98⅜	−0⅛	11.54
Ned Gasunie 11⅛ 91	75	97⅞	0	11.72
Newfoundland 13 91	75	104½	+0⅛	12.00
Nippon Crd Bk 11⅞ 00	100	99½	−0½	11.99
Nippon Crd Bk 13⅞ 89	100	105⅞	−0⅛	12.07
Nippon Mining 6⅜ 89	50	104	0	2.66
Nippon Tel Tel 11⅛ 00	100	102	−0⅛	10.83
Nippon Tel Tel 13⅞ 94	100	108½	−0⅞	11.91
Nissho-Iwai 6½ 90	70	88⅛	−0⅛	9.93
Nomura 6⅛ 89	100	107⅞	−1⅛	4.02
Nordic Inv Bk 11 00	75	90⅛	0	13.62
Nordic Inv Bk 11⅜ 00	75	99½	−0⅛	11.86
Norwest Oseas 12⅜ 91	50	93⅛	0	13.83
Nova Scotia 11⅛ 91	100	98⅛	−0⅛	12.03
Oester Post 12⅜ 89	75	100⅞	0	11.93
Ohbayashi-Gumi 7⅛ 89	50	117⅛	−0⅛	3.42
Ontario Hydro 11⅛ 94	200	99⅛	+0⅛	11.72
Ontario Hydro 11⅜ 90	200	101⅞	+0⅛	11.27
Ontario 12½ 94	250	103⅞	−0⅛	12.14
Pacific Gas & El 12 97	75	100	−0⅛	11.98
Penney J. C. 11⅛ 90	100	100⅛	−0⅛	11.67
Penney J. C. 12⅜ 91	100	102⅜	−0⅛	12.11
Phillips Petrol 14 89	200	104½	+0⅛	12.54
Post-Och Kred 12 90	75	99⅞	+0⅛	12.36
Post-Och Kred 13⅛ 87	50	103⅛	0	11.96
Prudential 10⅞ 93	150	97	−1	10.66
Prudential Ins 12⅜ 87	150	103⅛	−0⅞	11.10
Quebec Prov 12½ 93	100	100⅛	−0⅛	12.43
Quebec Prov 12⅛ 94	150	100⅝	−0⅛	12.12
Quebec Prov 13 13	100	99⅞	+2⅞	13.43
RTZ 11⅝ 93	100	96	−0⅛	12.59
Rockefeller 13⅜ 89	100	103⅛	−0⅞	12.07
RBC 11⅝ 89	100	99⅛	+0⅛	11.71
Royal Bk Scot 11⅛ 93	75	96⅛	0	12.10
Royal Bk Scot 11⅞ 93	75	98⅛	−0⅛	12.49
Rural Bk Aust 12 91	50	98⅛	0	12.43
Sanwa Intl Fin 12⅜ 90	00	101⅛	−0⅛	11.82
Scot Intl Fin 14½ 96	50	106	0	13.17
Sears O/S Fin 98	500	21⅛	−0⅛	11.99
Sears Roebuck 10½ 91	150	96	−0⅛	11.36
Sears Roebuck 11⅛ 93	150	100⅛	−0⅛	11.56
Sears Roebuck 11⅛ 91	150	100⅛	−0⅛	11.58
Sears Roebuck 11⅛ 88	125	101⅞	−0⅛	10.88
Sec Pacific 11⅛ 98	100	99⅜	−0⅛	11.87
Sec Pacific 11⅛ 89	75	97⅞	−0⅛	12.48
Sec Pacific 12 92	100	99⅜	−0⅛	12.11
Seino Trans 6⅞ 96	50	94	0	8.59
Shearson/Amex 12⅛ 94	100	100⅛	+⅛	11.86
Standard Chart 11½ 94	200	100	0	11.49
Statoil 12 89	100	101⅞	0	11.24
Statoil 13½ 89	100	107⅛	−0⅞	11.31
Sumitomo Fin 12⅜ 91	190	102⅛	0	012.21
Sweden 12⅜ 89	200	102	−0⅛	11.72
Swedish Export 11⅜ 89	100	98⅜	+0⅛	11.92
Taiyo Kobe 12 90	100	99⅜	−0⅛	12.09
Texaco 10⅛ 90	200	96⅛	0	11.30
Texaco 10⅛ 93	200	96⅛	−0⅛	11.18
Texaco Capital 13½ 89	200	105⅛	−0⅛	11.73
Texas Instr. 11⅞ 91	150	99⅛	−0⅛	11.00
Tokai Asia 12⅛ 91	100	100⅛	−0⅛	12.14
Tokyo Electric 6½ 89	70	93	+0⅛	8.51
Tokyo Electric 13⅛ 96	100	100	−2⅛	11.86
Toronto-Dom 12⅜ 89	00	102½	−0⅛	12.11
UBS 12⅛ 91	100	102⅛	−0⅛	11.68
Voba B 93	70	115½	−0⅛	5.75
Warner-Lambert 10⅛ 90	100	97⅛	−0⅛	10.83
West LB 11⅜ 90	100	97⅛	−0⅛	12.43
Weyerhaeuser 11½ 00	50	98⅛	−0⅛	11.82
Yasuda Trust 12⅛ 89	100	100⅛	−0⅛	12.13
Texaco Capital 11⅜ 94	500	98⅛	−0⅛	48.44
Usair Finance 7 96	50	100⅛	+0⅛	7.83
Yamanouchi 4 90	50	126	−0⅞	3.94

FLOATING RATE NOTES	Issued	Price	Chg. on week	C.cpn
Allied Irish ⅛ 92	100	100½	0	11⅛
Allied Irish ⅛ 95	100	99⅛	0	8 11/16
Arab Bank Cpn ⅛ 96	100	99⅛	−0⅛	12⅛
Oster Lnbk ⅛ 89	100	99⅛	−0⅛	11 11/16
BAII ⅛ 91	50	98⅛	+0⅛	12
Banca Lavoro ⅛ 91	100	99⅛	+0⅛	10 7/16
Banca Naz OA ⅛ 91	75	100⅛	−0⅛	12⅛
Banco Napoli ⅛ 95	100	100⅛	−0⅛	10 5/16
Banco di Roma ⅛ 90	75	100	−0⅛	12 1/16
Banco Hispano ⅛ 95	100	99⅛	−0⅛	11 1/16
BCCI ⅛ 90	50	99	−0⅛	9⅞
Bankam Tr NY ⅛ 96	200	100	0	9⅞
Bank of Helsinki ⅛ 89	50	99⅛	0	11 11/16
Bank of Greece ⅛ 94	150	97½	−0⅛	11 11/16
Bank Montreal ⅛ 96	250	100⅛	0	10⅛
Bank of New York ⅛ 96	75	99⅛	−0⅛	11 7/16
Bqe Ouv Econ ⅛ 90	50	96⅛	0	12 11/16
Bqe l'Indosuez ⅛ 99	150	100½	+0⅛	12 1/16
Bqe Nat Paris ⅛ 89	400	101	0	12½
Bqe Nat Paris ⅛ 95	400	100½	0	12⅛
Barclays O/S ⅛ 04	350	100	0	12 5/16
BBL ⅛ 99	100	99⅛	B	11 11/16
Belgium ⅛ 94 £	100	99⅛	0	10 7/16
Belgium ⅛ 04	400	100⅛	−0⅛	13⅛
BFG Finance ⅛ 96	100	99⅛	0	9 5/16
Credit Commerce ⅛ 98	125	100⅛	−0⅛	12
CEPME ⅛ 89	145	99⅛	0	12 7/16
CEPME ⅛ 98 £	100	99½	+0⅛	11⅛
Citicorp O/S ⅛ 91 £	100	99⅛	0	10
Caisse Nat Tel ⅛ 90	275	100⅛	0	11 1/16
Caisse Nat Tel ⅛ 91	250	100⅛	−0⅛	10⅛
Commerzbank ⅛ 89	100	99⅛	−0½	9 11/16
Creditanstalt ⅛ 94	125	100½	0	13 7/16
Creditanstalt ⅛ 96	100	100½	0	12 7/16
Credit Commerce ⅛ 98	250	100⅛	0	12⅛
Credit Foncier ⅛ 93	500	100⅛	0	12
Credit Lyonn £ 96	300	100⅛	0	9⅞
Credit Lyonnais ⅛ 96	250	100⅛	0	12⅜
Credit National ⅛ 95 £	100	99⅛	0	11
Dai-Ichi Kangyo ⅛ 89	150	100	0	10 7/16
Dansk Olie ⅛ 88	100	100	0	9 7/16
Denmark ⅛ 98 £	100	100	+0⅛	10
Denmark ⅛ 90	500	100⅛	−0⅛	11⅛
Denmark ⅛ 04	500	100⅛	0	10⅛
Denmark ⅛	600	100⅛	−0⅛	12⅛
Dresdner Bank ⅛ 93	400	101⅛	−0⅛	11⅛
Dresdner Bank 0 89	350	99⅛	0	9 7/16
EAB Finance ⅛ 93	75	99⅛	0	12⅛
Eldorado Nuke 0 96	100	100⅛	0	12 1/16
Elec de France ⅛ 99	400	100⅛	0	12⅛
ENEL ⅛ 93 £	100	99	0	11⅛
Equitable O/S ⅛ 94	50	98⅛	−0⅛	11⅛
Extenot Intl ⅛ 96	125	99⅛	−0⅛	10 11/16
Ferro del Stat ⅛ 89	250	100⅛	−0⅛	12½
Fiat Finance ⅛ 94	100	98⅛	0	12
First Aust Bk ⅛ 92	50	99⅛	0	12 11/16
Fimt Intomtate ⅛ 95	150	99⅛	0	9 7/16
Fuji Bk ⅛ 96	200	100⅛	0	12⅛
Canfinance ⅛ 94	150	100⅛	0	12⅞
GZB ⅛ 96	50	100	+0⅛	9 11/16
Gotabanken ⅛ 94	50	99⅛	0	10⅛
GW O/S Fin ⅛ 94	100	98½	−0⅛	12
Grindlays ⅛ 94	100	100⅛	0	12½
Indonesia ⅛ 93	250	98⅞	+0⅞	12
INI Perpet ⅛ 00	150	99⅛	0	11 15/16
Interfirst Toa ⅛ 89	100	97⅞	+1⅛	9⅞
Int Bk Rec Dev 11/32 89	250	98⅛	−0⅛	8 11/32
Ireland ⅛ 93 £	50	99⅛	−0⅛	10 7/16
Ireland ⅛ 94	300	99⅛	0	13⅛
Italian Intl ⅛ 91	80	99⅞	0	13
Italy ⅛ 99	500	100⅛	0	12⅛
Kansallis-Osak ⅛ 92	100	100⅛	0	12½
Kleinwort Ben ⅛ 96	100	100⅛	0	12 7/16
Kone Corp ⅛ 94	50	98⅛	−1	9⅞
Koreo Exch Bk ⅛ 93	50	99⅛	0	12⅛
Lloyds Eurofin ⅛ 92	100	100⅛	+0⅛	9 11/16
Lloyds Eurofin ⅛ 93	200	100⅛	0	10 15/16
Lloyds Bank ⅛ 04	250	98⅞	0	11⅛
Malaysia ⅛ 93	650	100⅛	0	12 7/16
Mogol Fin ⅛ 94 CU	100	101⅛	+1⅛	9 7/16
Midland Intl ⅛ 89	125	100⅛	−0⅛	12⅛
Midland Intl 0 91	150	100⅛	0	11
Midland Intl ⅛ 99	200	100⅛	0	12⅛
Mitsui Fin ⅛ 96	100	100⅛	0	12 7/16
Montreal Urban 0 91	150	100⅛	+0⅛	12 7/16
Morgan Grenfell ⅛ 94	50	99⅛	−0⅛	13 7/16
Morgan J P Intl ⅛ 97	250	100⅞	+0⅛	8 15/16
Mtge Bk Denmark ⅛ 93	150	100⅛	−0⅛	12 11/16
Mtg Bk Dnmrk ⅛ 94 £	50	100	0	10⅛
Mtge Bk Denmark ⅛ 96	125	100	0	11⅞
Nat Bk Canada ⅛ 91	50	99⅞	−0⅛	13⅛
Nat Bk Canada ⅛ 91	50	100⅛	0	11 5/16
Nat West Bank ⅛ 00	150	100⅛	0	12⅞
Nat West Fin ⅛	385	100⅛	0	10⅛
Neste Oy ⅛ 94	100	100⅛	−0⅛	12⅛
Oko Bank ⅛ 92	50	98⅛	−0⅛	12⅛
Pirelli Fin ⅛ 94	50	97⅛	−0⅛	12½
Portugal ⅛ 92	100	98½	0	12
Quebec Hydro ⅛ 94	200	100⅛	−0⅛	12⅞
Queensld Coal ⅛ 86	355	100⅛	0	10 7/16
Queensld Coal ⅛ 85	46	100⅛	+0⅛	10 7/16
Renfe ⅛ 91	100	100½	0	12⅛
Saitama Intl ⅛ 93	96	100⅛	0	9⅞
Sanwa Intl ⅛ 92	150	100	0	12⅛
Sanwa Bk ⅛ 04	150	100½	0	12⅞
Scandivia Fin ⅛ 93	70	96⅛	−0⅛	12 7/16
Scot Intl Fin ⅛ 92	100	100⅛	0	11 13/16
BEAT ⅛ 93	100	98	0	12⅛
Skopbank ⅛ 94	75	99⅛	−0⅛	13
BNCF ⅛ 93 £	75	100⅛	+0⅛	10 11/16
Soc Generale ⅛ 91	125	100½	−0⅛	13⅛
Soc Generale ⅛ 94	250	100½	0	12 5/16
Spain ⅛ 97	290	100⅛	0	12⅛
Standard Chart ⅛ 91	100	100⅛	−0⅛	10⅛
Standard Chart ⅛ 94	200	100⅛	0	13
Sumitomo Tst ⅛ 94	100	100⅛	0	12 7/16
Sweden ⅛ 00	1bn	100⅛	0	10 7/16
Sweden ⅛ 24	500	100	0	11 13/16
Sweden ⅛	750	100⅛	0	13⅛
Taiyo Kobe F ⅛ 04	100	100	0	10⅛
Thailand ⅛ 00	86	100	0	12 15/16
Tokai Asia ⅛ 99	150	100⅛	0	8 11/16
Toyo Tst Asia ⅛ 99	100	100⅛	0	9 11/16
TVO Power ⅛ 04	100	98⅛	−0⅛	9 7/16
Union Bank-Norw ⅛ 89	50	99⅛	+0⅛	12 7/16
Vizcaya Ind ⅛ 96	75	100	+0⅛	10⅛
Wells Fargo ⅛ 96	50	99½	0	9⅛
Yokohama Asia ⅛ 94	100	100⅛	−0⅛	11⅛
Yorkshire Int ⅛ 94 £	75	99⅛	0	11 7/16

CONVERTIBLE BONDS	Issued	Price	Chg. on week	Prem.
Ajinomoto 3 99	120	96⅛	+0⅛	
BBC Brown Bov 4⅛ 95	67	89⅛	+0⅛	4.89
Comsat Intnl 7⅛ 98	170	81⅛	+0⅛	50.06
Daiwa Seco 5½ 89	60	128⅛	−3⅛	1.35
Dev Bk Sing 5½ 98	70	90	0	16.38
Elders 11⅛ 94	150	107⅛	+2⅛	66.79
Elektrowatt S 98	62	83	+1⅛	8.69
Fanuc 3⅛ 98	80	148½	+3⅞	0.76
Fujitsu 3 89	100	101	+0½	6.52
Intec Inc 3 99	50	81	−0⅛	0.18
Konishiroku 4 99	50	96⅛	+3⅛	5.87
Man Hanover 11⅛ 99	100	95⅛	−0⅛	
Mitsubishi H 4⅛ 99	100	95⅛	−1	3.61
Moet-Hennessy 7 89	50	100	−1⅛	0.96
Murata Mfg 3½ 96	100	105	+4⅛	2.70
Murata Mfg 3½ 00	100	102⅛	+3⅛	2.98
Nippon Oil 3⅛ 96	50	89	+0½	11.71
Ono Phrm 3⅛ 96	50	106	−3	−3.28
Sekisui 3 99	00	86⅛	0	−0.21
Soc Gen Surv 4⅛ 94	51	94	−1	142.05
Sumitomo Corp 2⅞ 99	70	90	+0⅛	−0.34
Texaco Capital 11⅞ 94	1bn	100⅛	+0⅛	50.19

YEN STRAIGHTS	Issued	Price	Chg. on week	Yield
Asian Dev Bank 7⅞ 94	15	100⅛	0	7.27
IADB 7⅞ 93	15	103⅛	0	7.34
New Zealand 7⅜ 90	15	100⅜	−0⅛	6.94
World Bank 7 94	20	99⅛	0	7.10
World Bank 7⅝ 93	20	102⅛	−0⅛	7.18

LUXFR STRAIGHTS	Issued	Price	Chg. on week	Yield
E Coal & Steel 10½ 94	1bn	103⅛	+2⅞	9.85
Euro Invest Bk 10½ 94	1bn	103⅛	0	9.95
Int Bk Rc Dv 10⅛ 89	1bn	103⅞	0	9.13

GUILDER STRAIGHTS	Issued	Price	Chg. on week	Yield
ABN 0 89	200	102⅛	0	7.26
Aegon Insur 8⅛ 89	100	103⅛	−0⅛	7.27
Amro Bank 8 89	200	102⅛	−0⅛	7.31
Amro Bank 8⅛ 89	100	104⅛	−0⅛	7.42
Bk Mees&Hope 8⅛ 89	100	102⅞	0	7.42
Beatrice Foods 8⅛ 89	100	100⅛	−0⅛	7.89
C C Rabo 8 89	150	102⅛	+0⅛	7.26
C C Rabo 9 88	100	105⅛	−0⅛	7.47
Denmark 8½ 91	100	102⅛	+0⅛	7.92
Int Bk Rec Dv 8⅛ 89	150	103⅛	0	7.31
Int Stand Elec 8⅞ 89	100	102⅞	+0⅛	7.37
Ned Midd Bank 0 89	100	105⅞	0	7.27
New Zealand 8⅜ 89	100	104⅞	+0⅛	7.11

CANADIAN DOLLAR STRAIGHTS	Issued	Price	Chg. on week	Yield
Br Col Prov 12 93	100	101⅛	+0⅛	11.74
Bqe l'Indosuez 14 91	75	104⅛	−0⅞	12.82
Br Col Munic 13½ 91	100	105⅞	0	12.22
Br Col Tels 12⅛ 89	70	99⅞	−0⅛	12.28
Farm Cred Corp 12⅜ 90	75	104	−0⅛	11.26
Int Bk Rec Dev 12⅜ 90	75	104	0	11.26
Montreal City 12½ 91	70	101⅛	+0⅛	12.05
Quebec Hydro 14 91	75	107⅛	+0⅛	12.28

ECU STRAIGHTS	Issued	Price	Chg. on week	Yield
Australia & NZ 10⅜ 91	50	102⅛	+0⅛	10.14
Oesterreich 10⅜ 93	100	106½	+0⅛	9.61
Cred National 11⅛ 91	50	105⅛	−0⅛	10.06
Denmark 10⅛ 01	75	103	+0⅛	10.00
Ebco Intnl 10⅞ 89	55	103⅜	+0⅛	9.88
EEC 10½ 91	80	102⅛	+1⅛	9.96
EEC 11 93	50	106⅛	0	9.86
EEC 11⅛ 91	50	106½	+0⅛	10.11
EEC 11⅛ 93	70	106⅞	−0½	10.19
Euro Coal&Steel 8 94	60	103⅛	+4⅛	10.52
Euro Invest Bk 10⅛ 89	50	105	+0⅛	8.06
Euro Invest Bk 10⅞ 94	100	103½	−0⅛	10.01
Euro Invest Bk 11⅛ 92	75	105½	+0⅛	10.10
Euro Invest Bk 11⅛ 93	50	106⅛	+0⅛	10.04
Euro Invest Bk 11⅛ 99	50	102⅛	+0½	10.67
Gen Finance 11 90	70	103⅞	+0⅛	10.06
Gte Finance 10⅞ 92	50	103⅛	−0⅛	10.16
Int Bk Rec Dv 10⅞ 88	100	103½	+0⅛	9.61
Int Bk Rec Dv 11 88	50	105⅛	+0⅛	9.97
Italian Treas 11⅛ 90	00	102½	+0⅛	10.86
Megal Finance 11⅛ 94	100	102⅛	+0⅛	10.33
Nippon Cred Bk 11 91	50	103⅛	+0⅛	10.14
Nordic Inv Bk 8 94	50	102⅛	+6⅞	10.58
Post Och Kred 10⅞ 92	50	100⅞	+0⅛	10.67
Royal Bk Can 10½ 89	85	102⅛	+0⅛	9.77
SNCI 10⅞ 94	80	103	0	10.34
Swedish Export 11 89	58	103⅛	−0⅛	10.06
WestLB 10⅞ 91	50	104	0	8.96

AUSTRALIAN DOLLAR STRAIGHTS	Issued	Price	Chg. on week	Yield
AIDC 12⅞ 90	42	98⅛	0	12.61
Nat Aust Bk 12½ 89	40	97⅛	−0⅛	13.24
PIBA 13⅛ 89	40	102⅛	0	12.79
PIBA 12⅞ 89	50	97⅛	0	13.26
State Bk NSW 12⅛ 89	40	98⅛	0	12.44

STERLING STRAIGHTS	Issued	Price	Chg. on week	Yield
Europemt 11⅛ 92	50	100⅛	−0⅛	11.30
Denmark 10⅛ 89	75	97⅞	−0⅞	11.36
EEC 11⅛ 94	50	101⅛	−0⅞	11.16
EEC 11⅞ 93	50	103	−0⅞	11.30
Euro Inves tBk 10⅛ 92	75	97	−0⅛	11.37
FFI 10⅛ 93	50	97⅛	−0⅛	11.15
Finland 11⅞ 89	50	103	−0½	10.82
IADB 11⅛ 91	50	100⅛	−0⅛	11.32
Int Bk Rec Dev 10⅛ 89	100	99⅛	−0½	11.32
Int Stand Elec 11⅛ 89	50	101⅛	−0⅛	10.68
Inv In Indust 10⅞ 91	50	95⅞	0	11.55
Inv In Indust 11½ 91	50	100½	−3	11.39
Imland 11⅛ 94	50	98⅛	−0⅛	11.66
New Zealand 10⅛ 89	100	97⅛	−0⅛	11.30
ONCF 11⅛ 94	50	99½	−0⅛	11.32
SNCF 11½ 89	30	101⅛	−0⅛	11.17

EQUITY WARRANTS	Expiry date	Price	Chg. on week	Prem.
BASF Overzee	29/2/88	69	+5	114.64
Bayer Int DM	1/7/87	89	−1	111.00
Bayer Int DM	28/2/89	74	−2	113.21
Ciba-Geigy Int £	1/11/93	117½	+5	112.36
Com Fin Deut DM	31/5/87	140	−3	67.83
C Itoh	20/1/87	37½	+0⅛	
C Itoh DM	4/5/89	10⅛	+0⅛	390.96
Credit Suisse	31/5/88	19½	0	96.15
Degussa Int DM	2/5/93	150½	−3	136.77
Deutsche Bank DM	18/6/91	140	−11⅛	125.76
Dresdner Fin DM	1/9/92	0		
Dresdner DM	19/10/93	50	+9⅞	122.04
Hoechst DM	1/2/88	00	+2⅛	109.54
ICI Finance	1/6/90	243⅛	+12½	
IC Industries	15/6/88	10½	−0⅛	225.12
Intnl Pirelli	14/6/88	13	−0⅛	170.45
Minebea Co	20/2/89	30⅛	−0⅛	904.32
Mitsubishi Co	7/11/88	23½	+0⅛	
Mitsubishi Ck.	20/1/87	16½	+0⅛	891.14
Mitsui	10/12/87	17½	+0⅛	
Nippon Mining	17/3/89	59⅛	−0½	
Nisho Iwai	1/2/89	8½	0	936.91
Nomura Sec	31/10/88	27⅛	−0⅛	865.97
Omron Tateisi	31/3/89	14⅛	−0⅞	257.55
Phillips Gloeil	15/7/88	15½	+0⅛	208.96
Prudential O/S	10/12/88	96	0	945.83
Renown	24/1/89	7	+0⅛	389.51
Schering DM	12/9/90	140	+10	115.43
Seagram Comp	15/9/88	10⅛	−0⅛	104.76
Seino Trans	17/3/88	12⅛	−0⅛	429.64
Seiyu Stores	20/3/87	83	−2	
Siemens Wstn DM	31/5/90	225½	−10	106.35
Sumitomo Cons	24/3/89	42	+0⅛	
Sumitomo Heavy	24/2/89	13	−0½	
Swiss Bk Corp	20/12/88	27⅛	0	
Tokyo Elec Power	14/3/89	13	+1⅛	364.84
Toray Ind	5/3/87	11	0	763.05
Veba Intnl	10/12/93	82⅛	−4⅛	129.22

BOND WARRANTS	Expiry date	Price	Chg. on week	Ex. yield
Aegon Ins 11⅛ 91	14/2/86	14⅛	−3⅞	8.31
CEPME 10 93	4/3/85	1	0	12.39
Commerzbk 11⅞ 89	17/7/86	58⅛	−0⅞	0.35
Creditanstalt 14 91	31/7/86	62½	−3⅛	3.58
Denmark 11⅛ 93	15/12/86	18	−2	8.55
D Nomk Cr 11⅛ 91	1/2/86	23⅛	0	7.76
Dv Bk Sing 14⅛ 89	12/9/86	50	−2⅛	1.83
Du Pont 13⅛ 89	25/8/86	46⅞	−0⅛	1.79
Eksportfinas 13⅛ 89	16/9/87	41⅛	−0⅛	2.73
G Elec Cred 11 94	17/12/89	1	−22	10.82
Gen Elec 12⅞ 91	7/6/87	41⅛	+1⅞	5.16
H'sehld Fin 11⅞ 90	1/12/88	7⅛	0	9.87
IBM Credit 13 87	19/8/85	45⅛	+0⅛	−4.20
Inv In Inds 10⅛ 91	1/12/88	72⅛	0	−0.14
M Hanover 13½ 87	1/9/86	28⅛	−1⅛	2.29
McDonlds F 11⅛ 94	5/1/89	31⅛	+3	8.43
Morgan J.P. 10⅛ 90	16/8/87	17⅛	−0⅛	8.14
Nordic Inv Bk 11 90	15/11/87	12⅛	−1	10.43
Oester Lnbk 13⅛ 89	0/8/87	40⅛	−1⅛	3.03
Peney J.C. 10⅛ 90	15/10/87	15⅛	−0⅛	7.29
Post-O Kred 11⅛ 90	15/11/87	19⅛	−0⅛	7.69
Ryl B Scot 11⅛ 93	16/11/88	20⅛	−0⅛	0.86
Std Chart 11½ 94	5/1/85	4⅛	−2⅛	10.74
Texaco 10½ 93	15/11/87	14½	−1	8.76
Thmsn-Brdt 13⅛ 91	29/8/86	39	−0⅛	8.96
Weyerhaeusr 11 90	15/11/87	14⅛	−0⅛	8.82
Xerox 13⅛ 97	15/5/85	30½	+0⅛	0.68

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for yen bonds, where it is in billions.

FLOATING RATE NOTES: U.S. dollars unless indicated. Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn=current coupon.

CONVERTIBLE BONDS: U.S. dollars unless indicated. Pmm=percentage premium of the current effective price of buying shares via the bond over the most recent share price.

WARRANTS: Equity warrant prem=exercise premium over current share price. Bond warrant ex yld=exercise yield at current warrant price.

Closing prices on December 14

هكذا من الأصل

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

CORPORATE FINANCE

Dome Petroleum puts creditors on the spot

DOME PETROLEUM'S 54 Canadian and International creditors are realising that they have to dance to the debt ridden Calgary energy producer's tune, if hopes of getting their money back are to stay alive.

Having already agreed to reschedule the hulk of the company's C$6.2bn debt and to countless extensions of innumerable deadlines, the lenders are now heing asked to release Dome from the key condition of a refinancing package signed last August.

Implementation of the agreement, which provides for debt repayments to be stretched to 1995, has depended on Dome strengthening its balance sheet by a substantial infuction of new equity—initially set at $700m hut scaled down earlier this year to C$350m.

Last week the company asked the banks to go ahead with the rescheduling on December 31 (the end of its fiscal year) without the share issue.

Creditors are likely to agree. As a senipr official of one Canadian bank puts it, "The underwriters have said its impossible to float an issue. That's the reality, and we have to face up to it."

The latest deadline for completion of the equity issue, is February 5 hut Mr Wilf Gobert, a Calgary oil analyst, says that pressure to proceed with the offer "has hung like an ominous cloud over the company."

Dome's share price has recently dropped to C$2.10 on the Toronto stock exchange, its lowest level this year. Although some individual investors would have taken a chance on Dome shares, institutions are reluctant to sink money into a debt burdened company, which lost C$105m in the nine months to September, 1984, and has a negative net worth of more than C$300m.

The low share price raised the probability that Dome would have needed to issue more shares than initially planned, further diluting existing shareholders interests.

Both Dome and its bankers are keen to put the refinancing exercise behind them so that the company can get on with running its three core businesses, oil and gas production in Western Canada, natural gas liquids, and contract drilling in the Arctic. Mr Howard Macdonald has spent half his time negotiating with bankers in Toronto, Tokyo, London and New York since taking over as chairman of Dome 15 months ago.

The debt rescheduling will itself significantly brighten Dome's short-term prospects. Had it been in place at the end of September the current portion of Long-term debt would have dropped from C$2.5hn, to C$267m. Lower provisions for foreign exchange losses would have helped reduce the nine-month loss from C$105m, to C$45m.

Closing the refinancing agreement will also enable Dome to defer C$430m of current taxes owed to the Canadian Government. These taxes stem from the company's ambitious acquisition of Hudson's Bay Oil and Gas in 1982—the transaction which led to Dome's near-collapse later that year.

Deferring the taxes will boost funds generated from operations hy a corresponding amount. Dome has asked the authorities, like the banks, to waive the precondition of a new equity issue.

A Dome executive says that the company can continue operating "for the foreseeable future" without new equity. It has a positive cash flow and is expected to henefit from higher gas sales to the U.S., changes in energy taxes to be introduced by the new Canadian government, and favourable interest and foreign exchange rate movements.

Creditors are not being asked for any other concessions. Dome continues to repay principal amounts owed under the debt rescheduling agreement, which it began last April.

Nonetheless, the company concedes that the absence of new capital will inhibit its ability to develop conventional and heavy oil reserves. The only way of bringing these to production may be to conclude "farm-out" agreements with other companies, offering them a share of future income, in return for spliting development costs

Analysts think that Dome may also be forced to speed up its asset disposal programmes, including the sale of its 48 per cent interest in Dome Canada, an oil and gas producer set up by Dome Petroleum in 1981 to take advantage of Government exploration incentives.

Dome Canada has a healthy cash flow, is profitable, and has recently stepped up its production and drilling activities.

Bernard Simon

Dunlop to sell stake in Indian associate

By John Elliott in New Delhi

DUNLOP has agreed to sell a quarter of its 40 per cent stake in Dunlop India to two Indian businessmen after months of debate over whether it should dispose of all its shareholding or merely take in new partners.

The deal may not raise much more than £4m or £5m ($6m) for Dunlop's British bankers who have also overseen the disposal of other foreign Dunlop interests such as those in New Zealand and Malaysia.

The two businessmen who faced rival offers from other Indian companies, including the Tata group and the JK Group, will each hold just under 5 per cent of Dunlop India's equity.

One of them is Mr R. P. Goenke, who already owns Ceat Tyres, a major Indian tyre manufacturer. He is putting his 25-year-old son, Mr Sanjiv Goenke, on the board as deputy managing director.

The other businessman is Mr M. R. Chhabria who lives in Dubai where he runs a Sony distributorship and other businesses. He has recently entered the Indian leather and electronics industries.

Mr John Hammond, a Dunlop executive who took over as chairman of the Indian company earlier this year, will give up that post, hut will remain managing director.

It is intended that the company's managerial and technical links with Dunlop in the UK will continue hut that it will have more freedom to move into new product areas.

Its turnover in 1983 fell by over R210m ($16.8m) to R3.1hn and its profits before tax dropped from R108m to R85m.

Creditanstalt formation

Creditanstalt-Bankverein is considering the formation of a separate company to run its holdings in industrial companies which include Steyr-Daimler-Puch and Semperit, Reuter reports from Vienna. This would not mean a change in the Bank's balance sheet, hut possibly a more efficient handling of the holdings, the bank said.

INTERNATIONAL APPOINTMENTS

ITT suspends head of public relations

BY OUR NEW YORK STAFF

ITT, the U.S. multinational conglomerate, has suspended Mr Edward Gerrity, its top public relations strategist, dismissed two other public relations officials, and mounted an internal investigation into charges that insiders may have leaked adverse information about the company to the Press.

ITT, which has been the centre of controversey in recent months following its decision in July to cut its quarterly dividend to 25 cents from 69 cents, is concerned about reports in a newspaper syndicated column and elsewhere of dissent on the ITT board and of disgruntled shareholder moves to liquidate the company.

Mr Gerrity, a powerful voice in the senior ITT management who only a few weeks ago was promoted to executive vice-president for government relations, has strongly denied that he was involved in leaking information to Mr Robert Metz, a syndicated financial columnist and to Mr Irwin Jacobs, the Minneapolis-based investor who has recently heen purchasing ITT shares.

"I flatly deny the suggestions," he said last week. He said he had heen suspended on full pay and denied that he has let the company. The other two officers were Mr George Massaua, ITT's director of public affairs, and Mr William McHale who handled public relations for the South East.

Mr Juan Cappello, ITT's vice president and director of company relations and advertising, has been promoted to senior vice president and has assumed Mr Gerrity's responsibilities and title.

The brief two paragraph statement, which did not mention the suspensions, added, "No member of ITT's board is in favour of a liquidation of the company, nor is there any debate on the subject."

Mr Gerrity, aged 60, rose to become head of ITT's press department under Mr Harold Geneen, the former chairman of ITT, having joined the multinational in 1958.

In recent months Mr Gerrity is believed to have expressed criticism of some of the actions of Mr Rand Araskog, ITT's current chairman. ITT's earnings have sunk this year, reflecting prohlems at its Hartford Insurance unit. Mr Arasgok has emharked on a new major drive to sell assets and concentrate on core high-technology businesses.

Swedish Match managing director steps down

BY KEVIN DONE, NORDIC CORRESPONDENT IN STOCKHOLM

Mr Gunnar Dahlsten, 58, is resigning from his post as managing director of SWEDISH MATCH with effect from January 10.

He joined the company in 1977, and has led a far-reaching restructuring of the group. Swedish Match went through a severe crisis in the late 1970s, but in the last two years it has been brought back on to the track of stronger profits growth.

It is the world's second largest flooring company and the world market leader in matches. Having disposed of around 40 companies since the mid-1970s it has gone back on the offensive with a string of new acquisitions, including the Cricket disposable lighter operations from Gillette of the U.S.

Mr Dahlsten was rumoured to be a strong candidate for the chairmanship of Swedish Match, when the current chairman Mr Lars-Erik Thunholm, the former chairman of Skandinaviska Enskilda Banken, retires next spring.

An owenrship battle has been waged over Swedish Match in recent months, however. The two Wallenberg investment companies, Investor and Providentia, have increased their share of the Swedish Match equity from 7 per cent to 21 per cent, and their share of the votes from 40 per cent to 41.3 per cent, apparently to strengthen the case of their candidate, Mr Curt Nicolin—currently deputy chairman of Swedish Match, and a member of the Investor and Providentia boards.

MGM/UA in $126m share purchase

By Paul Taylor in New York

MGM/UA Entertainment, the U.S. film and entertainment group which is majority-owned by Mr Kirk Kerkorian, the financier, plans to reacquire the 15 per cent of MGM/UA Home Entertainment group it does not own for $126m.

Mr Frank Rothman, chairman and chief executive of MGM/UA, a new company formed by MGM/UA would be merged with MGM/UA Home Entertainment.

MGM/UA Home Entertainment was set up in December, 1982, when MGM/UA spun-off the unit and raised $50m through a public offering of the 15 per cent stake. MGM/UA Home Entertainment is one of the largest worldwide distributors of filmed entertainment.

Mr Rothman said the merger, which is expected to be completed in the company's third quarter which ends on May 31, was designed to take advantage of changes in MGM/UA's financial condition and markets.

MGM/UA recently reported a 17.2 per cent decline in full-year earnings to $34.7m on revenues of $707m compared to $41.9m on revenues of $723.1m.

Armco close to clinching financial disposal

BY OUR FOREIGN AND FINANCIAL STAFF

ARMCO, THE diversified U.S. steel and oilfield equipment group, is close to completing the sale of the domestic and international commercial finance and leasing operations, which form part of its loss-making financial services division.

The move is part of a major restructuring at Armco, which earlier this year unveiled plans to move out of insurance in a bid to narrow the scope of its operations, stem losses, and strengthen the balance sheet.

Armco suffered a setback to this strategy in May when Allianz, the West German insurance group, withdrew from talks about the possible acquisition of the group's property and casualty insurance business.

These insurance operations, which form the major part of Armco's financial services operations, remain up for sale. The group also owns a number of domestic, Far East and European lending and leasing companies. It is these units which are now close to being sold.

The lending and leasing Financial Corporation, a Dallas-based company that had sales at the end of last year of $431m

Armco has letters of intent from two prospective buyers for Armco Financial. One of the prospective buyers is a U.S. Savings and Loan Association) and full agreement onthe sale is expected early in 1985.

The other leasing and lending units being sold are smaller than the domestic company. The group's Australian commercial lending and leasing unit, Armco Australian Financial Corporation, has been sold to New Zealand insurance corporation.

Armco Pacific, the Singapore-based South East Asian operation, is being wound-down. Earlier, Armco had planned to sell the company to Henry Ansbacher, the UK merchant bank. But it is believed that the Singapore banking authorities have failed to approve the deal.

Armco is also negotiating the sale of Armco Trust, its UK-based lending and leasing business.

In the 1984 third quarter, Armco recorded a $40m loss for the financial services group, including a $15m provision for future interest expenses ahead of completion of the divestitures.

Belgian zinc smelter deal

BRUSSELS — Vielle Montagne, the Belgian zinc smelter, is to take a 51 per cent stake in Asturienne France. Both companies are associates of Union-Miniere.

Vielle Montagne is to subscribe to a BFr 1.1bn (U.S.$17.7m) capital increase in Asturienne France. The cash will be used to fund BFr 2bn of investments at Asturienne France's electrolysis plant at Auby, which would double its capacity to 200,000 tonnes

Simultaneously, Vielle Montagne will dismantle its loss-making 100,000 tonne per year electrolysis units at Viviez in France.

Union Miniere, which is a non-ferrous metals subsidiary of Societe Generale de Belgique, has a 28 per cent stake in Vielle Montagne. It holds a 26 per cent shareholding in Asturienne des Mines.

Reuters

MBB in financing dispute

AMSTERDAM — A dispute with the West German Government over financing guarantees could force Messerschmidt-Bolkow-Blohm (MBB) out of the consortium that is building and marketing the new Fokker F-100 jetliner.

Fokker, the designer of the aircraft and leader of the consortium of European and U.S. groups working on the project, confirm that MBB's ability to come up with a required Fl 100m ($28.6m) pre-financing for the F-100 has come into question.

Fokker officials declined to detail the exact problems with MBB's pre-financing. But they suggested that the company is having difficulty obtaining West German Government financing guarantees.

The first F-100s are due to be delivered in mid-1985 to Swissair. Full-scale production of the 100-seat twin-engine aircraft is likely to get underway in mid-1987, Fokker said. AP-DJ

UK COMPANY NEWS

BAT in £664m agreed cash offer for Hambro

THE BID by Bat Industries, the tobacco-based conglomerate, for Britain's largest linked-life and financial services group, Hambro Life Assurance, appears comparatively straightforward.

BAT is offering 550p in cash for the 120.7m shares of Hambro Life, valuing the bid at £664m—the second largest bid for a UK insurance company. BAT Industries paid £968m for Eagle Star Holdings at the beginning of this year.

It is intended that there will be an alternative consideration of shortterm loan notes and/or 12½ per cent unsecured loan stock 2003-08 pari passu with the existing stock. The loan notes, which will be unquoted, will carry an interest rates of half a point below the London Inter Bank Offered Rate, redeemable every six months and running for several years.

The agreed offer represents a 17 per cent increase over the Hambro Life share price at the close of business on Wednesday December 12 — the day before the suspension of trading, and a 37.5 per cent increase over the share price on November 1, 1984. Hambro Life will request the Stock Exchange to restore its ordinary share listing from 9.30 am today.

BAT Industries has bought 19m shares from Charterhouse J. Rothschild and 12,135,000 from Guardian Royal Exchange at 550p and has irrevocable undertakings to accept the offer for the balance of CJR's 11,000,980 Hambro Life shares and 4,336,693 shares held by Hambro Life directors and their families. This means that BAT has control of 46,472,673 shares (38.5 per cent) in Hambro Life thus making the possibility of a counter bid highly unlikely.

Thus CJR, which acquired its Hambro Life stake earlier this year wil make a profit of £40m on the deal, while GRE stands to make £27m for its life fund which holds the shares.

In addition Eagle Star holds 598,884 Hambro Life shares, of which 194,084 are beneficially owned, including those in the various pension funds managed by Eagle Star.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purposes of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims: Belhaven Brewery, Caffyns, Godfrey Davis, Hampton Gold Mining Areas, Havelock Europa, May and Hassell, Scottish and Newcastle Breweries, Stock Conversion and Investment Trust.

Finals: G. T. Asia (Sterling) Fund, Great Western Resources, Pyke Holdings, Redland, National Glass, Spaybank, Wessoe.

FUTURE DATES

Interims—

Siaichi Tin	Dec 19
G T. Japan Investment Trust	Jan 28
London and Assocd. Inv. Tst.	Dec 18

Finals—

Elandsrand Gold Mining	Jan 17
Kelsey Industries	Dec 21
Leech (William)	Dec 20
S. African Land & Exploration	Jan 17
Southvaal	Jan 17
Stainless Metalcraft	Dec 18
Vaal Reefs Exploration	Jan 17
Warner Estate	Jan 31
Western Deep Levels	Jan 17

A. Monk falls to £649,000

A. Monk & Co., building and civil engineering contractor, suffered a fall in taxable profits from £1.14m to £649,000 in the six months to end-August 1984.

Turnover amounted to £50m, against £52m, and the taxable result included interest receivable and other income of £447,000 (£853,000). Tax took £292,000 (£398,000). Earnings per share were 3.3p (6.8p). The interim dividend ins unchanged at 2p net.

J. Williams cuts losses

John Williams of Cardiff, the steel and foundry group, achieved a sharp reduction in pre-tax losses from £1.6m to £0.27m in the year to September 30 1984. Turnover was some £5m lower at £16.3m.

The closure of the window business has staunched the serious cash losses in the group, the directors state. They are now able to turn their full attention to the remaining businesses.

The steel business in Cardiff has been reorganised and is now trading profitably, although there is still room for improvement. The foundry is in a very difficult industry, which has continued to decline. But the company has recovered some of the material cost increases from customers and is determined to improve its management efficiency.

The directors say it is too early to give any indication of the prospects for the current year.

The group's foundry business turned round from a £22,000 loss to a trading profit of £42,000, while steel stockholding and processing produced a £1,000 profit (£186,000 loss).

Midterm fall at Phoenix Timber but interim held

ALTHOUGH first-half profits at Phoenix Timber Group fell by £100,000 to £427,000, chairman Mr Dennis Cook regards the outturn as satisfactory. The interim dividend is held at 1.5p net.

The period suffered two dock strikes, restrictions on markets caused by the lower level of construction activity, high interest rates, and the further decline in the value of sterling, he explains.

He feels it unwise to forecast for the full year ending March 31, 1985, but says the downward movements in interest and mortgage rates should help restore confidence. In 1983-84 the group made a profit of £936,000 (loss £995,000) and paid a final dividend of 205p.

After tax £69,000 (£19,000) the net profit is £358,000 (£508,000) for earnings of 12p (17p) per share. There are non-recurring charges of £227,000 net shown as extraordinary items.

These cover the closure of the remaining operation in West Yorkshire, which was incurring losses and was particularly affected by the miners' strike; and the severe downturn in timber frame construction following adverse national publicity, which meant a cut back in these activities with consequential reorganisation costs, to avoid further losses.

FT Share Information

The following securities have been added to the Share Information Service:

Addison Communications (Section: Paper, Printing), Alida Holdings (Chemicals), CSX Corporation (Americans), E.R.I.C. (Energy Recovery Inv Corp) (Oil and Gas), Engelhard Corporation (Chemicals) Laser Lab Ltd (Electricals), New Kleinfontein Properties Ltd (South Africans), Wessanen (Koninklijke) N.V. (Food, Groceries).

Kingsley heads for full market listing via £1.5m placing

BY WILLIAM DAWKINS

DEALINGS OPEN next Tuesday in the shares of Kingsley & Forester, a Manchester-based textiles manufacturer and importer.

Kingsley last month announced that it is coming to the full market via a reverse takeover of K. O. Boardman, a small garment retailer and wholesaler. Boardman's shares were suspended in October pending the publication of its £7m takeover of Kingsley.

The enlarged group is placing 3,064,516 new shares at 62p each to raise £1.5m, which compares with an adjusted suspension price of 72p and gives it a market capitalisation of £12.2m.

Kingsley is forecasting that taxable profits will rise from £1.17m to £1.57m in the year to the end of this month, while Boardman is forecasting a £150,000 profit in the nine months to September. Taking the two forecasts together, combined group earnings come to 6.52p per share, putting the placing price on an earnings multiple of 9.5.

Full details of the issue are published today. The group is being sponsored by stockbrokers Montague Loebl Stanley.

Ronson International goes into voluntary liquidation

CREDITORS OF Ronson International, the failed cigarette lighters and accessories group, have agreed to the company going into voluntary liquidation to end 2½ years of receivership.

Ronson International, headed by Mr Jeffrey Port, acquired the British interests of Ronson Products from the receiver when the company failed in 1981, but Ronson International itself went into receivership in July 1982.

At Friday's meeting of creditors Mr Port offered to pay all creditors in full. A scheme of arrangement had been put to creditors in October 1984, but was accepted by only 70 per cent of unsecured creditors and by the secured creditor. An acceptance level of 75 per cent was needed.

Mr Peter Flesher and Mr Maurice Withall, partners in accountants Thornton Baker have been appointed joint liquidators.

A number of companies have since taken on the UK distribution of products bearing the Ronson name, and they are unaffected by the liquidation.

FINANCIAL TIMES STOCK INDICES

	Dec. 14	Dec. 13	Dec. 12	Dec. 11	Dec. 10	Dec. 7	1984 High	1984 Low	Since Compilatn High	Since Compilatn Low
Government Secs.	82.34	82.58	82.81	83.15	83.29	83.87	83.77	75.73	127.4	46.18
Fixed Interest	85.79	86.96	86.09	86.18	86.11	86.53	87.48	80.43	150.4	50.53
Ordinary	935.4	927.2	882.3	930.1	930.3	923.0	935.4	756.3	935.4	49.4
Gold Mines	504.0	517.6	531.6	529.8	532.3	547.5	711.7	485.7	734.7	43.5
FT-Act.All.Share	578.55	574.12	573.58	574.96	573.24	569.26	578.55	464.84	578.54	61.28
FT-SE100	1204.8	1199.7	1190.7	1192.9	1197.9	1190.1	1204.8	982.9	1204.8	882.9

RECENT ISSUES

EQUITIES

Issue price	Amount paid up	Latest Renunc. date	1984 High	1984 Low	Stock	Closing price	+ or −	Net Div.	Times Covered	Gross Yield	P/E Ratio
††	F.P.	12/12	176	108	††AberdeenAmPet £1	108	......	—	—	—	—
*160	F.P.	11/1	200	164	✠Access Satellite 5p	182	−2	u2.0	2.1	1.6	35.7
§100	F.P.	83/11	116	102	✠Breakmate 10p	116	−4	bg2.5	3.1	3.1	15.2
130	60	—	100½	88	British Telecom	100½	+2	b6.6	2.0	6.1	11.6
§105	F.P.	7/12	142	116	✠CVD Inc $0.01	140	......	F$2.0	—	1.4	—
§160	F.P.	—	182	176	Candover Inv.	178	......	H1.4	—	1.1	—
§116	F.P.	6/12	167	134	✠Craton Lodge 1p	165	−1	bg1.75	3.6	1.5	25.5
§78	F.P.	14/12	99	86	✠Gabicci 5p	96	......	b2.6	2.5	4.2	14.8
¶¶	F.P.	—	31	23	✠Health Care S'rvic's	24	+1	—	—	—	27.5
§146	F.P.	7/12	222	160	✠INSTEM 10p	222	+22	bg1.6	6.4	1.0	17.6
§85	F.P.	7/12	118	95	✠Klark-Teknik 6p	115	......	u0.6	4.7	0.7	40.5
¶¶	F.P.	11/1	38	67	✠Monument Oil 5p	87	......	—	—	—	—
140	F.P.	21/12	166	146	P.S.M. Int'l.	159	......	bg4.25	2.6	4.7	11.7
§130	F.P.	—	160	158	✠Penny & Giles Intl.	160	+2	bg1.93	2.6	1.6	28.8
§11	F.P.	16/11	11½	10	Second Market Inv. 5p	11	......	—	—	—	—
§140	F.P.	10/12	200	184	✠Share Drug 10p	195	......	ud1.7	3.0	1.3	32.7
§110	F.P.	30/11	125	115	✠UDO Hldgs. 10p	124	......	u3.75	6.0	4.3	15.9
132	F.P.	11/1	173	156	Wardle Storeys 10p	168	+1	u5.0	2.7	4.3	10.3
80	F.P.	—	86½	81½	Williams (Rex) Leis. 5p	82	......	u0.61	1.4	5.9	15.8

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1984 High	1984 Low	Stock	Closing price £	+ or −
¶¶	F.P.	21/12	116	105	✠berfoyle 8% Cnv. Uns. Ln. '95	115	+10
91.574	£30	10/4	34¼	29⅞	African Dev. Bank 11¼% Ln. 2010	33	−⅝
‖	F.P.	11/1	116	116	Automated Sec. 5% Cnv. Cum Red Prf.	112	......
‖	F.P.	2/12	205p	167p	Elswick-Hopper 6% Cv.Cum. Pf. '92-94	175p	......
‖	F.P.	12/12	110	106	Estate Prop. Inv. 10¾% Cnv. 94 99.	109	......
§100	£10	24/1	10½	9½	Folkestone Water 11½% Red. Deb. 2006	9¾	−¼
¶¶	F.P.	30/11	110	106	Gable Hse. Prop. 10¾% Cnv. Uns. Ln. 93.92	110	......
§99.094	F.P.	—	99¾	98¼	Gartmore Amer. 11¾% Deb. 2014	98½	−¼
§29.405	F.P.	11/1	101¼	100¼	Glasgow Stock'hlds 11¾% Deb. 2009	100¼	−¼
85.61	£30	—	30	29½	Int.-Am. Dev. Bk. 9¾ Ln. 2015	30	......
99.191	£30	17/1	35¾	28⅝	Intl. Bk. for Recon. & Dev. 11⅝% Ln. 2005	33¾	−⅝
‖	F.P.	—	140p	130p	Johnson Matthey 8% Cnv. Cum. Prf.	140p	+2
§99.199	£25	15/3	29⅛	24¼	Lon. Shop Prop. 11⅝% 1st Mort. Deb. 2018	29¾	−¼
§68.015	F.P.	—	99	98	Lowland Inv. 11¼% Deb. 2010	98¾	......
‖	Nil	—	15pm	9pm	McCarthy & Stone 7% Cv. Ln. 99/04	15pm	+2½
—	F.P.	—	100⅛	100⅛	Nationwide Bldg. Soc. 10⅞% Bds. 11/11/85	100⅛	......
—	F.P.	—	100⅛	100	Do. 10¼% Bds. 6/12/85	100	......
‖	F.P.	11/1	121	101½	Normans Grp. 8¼% Cnv. Uns. Ln. 99/2004	161½	+9
¶¶	F.P.	—	66	63	Peel 10% Cum. Pref. 50p	56⅞	+8
‖	F.P.	12/12	111	100½	Plant & Gen. 9% Cnv. Uns. Ln. 1999	111	......
¶¶	F.P.	26/4	192	119	Racal Elect 7% Cnv. Uns. Ln. 2009/14	166	......
100	£10	24/1	10¼	9⅞	Sun'ld & Sth. Shields 11⅛% Deb. 2005	6	......
61.676	£20	27/9	24⅞	18½	Sweden 11% Ln. 2012	23⅞	......

"RIGHTS" OFFERS

Issue price	Amount paid up	Latest Renunc. date	1984 High	1984 Low	Stock	Closing price	+ or −
9	F.P.	14/12	6	5½	Amalgamated Estates 5p	6	+½
80	F.P.	18/1	84	81	Attwoods	81	......
175	Nil	—	40pm	40pm	Birmingham Mint	40pm	......
143	Nil	30/1	25pm	25pm	Equipu	25pm	......
30	F.P.	11/1	34½pm	31pm	Jacks (Wm)	31	......
‖	Nil	28/1	12pm	8pm	Lifecare Intl. Units †	10pm	−1
185	Nil	18/1	37pm	33pm	Marshalls Halifax	33pm	......
120	Nil	—	30pm	28pm	Notts. Brick.	25pm	+5
70	F.P.	6/11	117	120	✠Tops Ests. 10p	117	+5
9	Nil	30/1	8¼pm	2¾pm	Tranwood 5p	6¼pm	+½

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. g Assumed dividend and yield. u Forecast dividend cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1985. H Dividend and yield based on prospectus or other official estimates for 1984. Q Gross. p Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ‖‖ Allotment letters or fully-paid. ‡‡ Introduction. ✠ Unlisted Securities Market. § Placing price. † Figures assumed. †† Official London Listing ‡‡ Dealt in under Rule 535(3).

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus*) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

	Date	Announcement last year		Date	Announcement last year
Allied Colloids	Jan 18	Interim 1.0	Johnson Firth Brown	Dec 19	Final nil
Assoc Dairies	Jan 11	Interim 1.25	Kenning Motor	Jan 12	Final 4.0
Assoc Newsp	Jan 12	Final 7.5	MFI Furniture	Jan 17	Interim 1.7
*British Electric Traction	Dec 20	Interim 2.25	Magnet and Southerns	Jan 11	Interim 2.0
British Land	Dec 20	Interim 0.6	Martin The Newsagents	Dec 12	Final 3.72
Centrovincial Estates	Jan 17	Interim 3.0	Racal Elecs	Jan 17	Interim 0.73
Daily Mail & Gen Tst	Jan 12	Final 22.5	*Scottish and Newc Brew	Dec 17	Interim 1.73
Davy Corpn	Jan 20	Interim 1.1	Thorn EMI	Jan 13	Interim 5.0
*Distillers	Dec 20	Interim 4.5	*Trident TV	Dec 18	Final 4.0
Dixons	Jan 18	Interim 1.6	Trusthouse Forte	Jan 16	Final 5.25
Dowty	Jan 20	Interim 1.1	*Union Discount	Jan 30	Final 23
English China Clays	Dec 16	Final 5.5	*Westland	Dec 19	Final 6.25
Fitch Lovell	Jan 12	Interim 2.5	*Whessoe	Dec 17	Final 3.0
*Grand Metropolitan	Dec 20	Final 6.75			
Guinness (A.)	Jan 17	Final 4.1			
Hogg Robinson	Jan 10	Interim 3.3			
*Intasun	Dec 14	Interim 1.8			

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

BUILDING CONTRACTS

£1bn hospital building plan

BY JOAN GRAY, CONSTRUCTION CORRESPONDENT

TAYLOR WOODROW and LAING have both been awarded hospital contracts last week under the Department of Health and Social Security's £1bn-plus new hospital building programme for England.

Taylor Woodrow Construction (Midlands) has won a £15.6m contract to build the 305-bed fourth phase of the Walsall District General Hospital for the West Midlands Regional Health Authority.

John Laing's North West Region has won a £1.6m contract to build a new ward block for elderly patients at the Queen Victoria Hospital in Morecambe, Lancashire, for the North Western Regional Health Authority.

Laing is currently undertaking hospital building work worth a total of £194m, with 45 hospital contracts under way.

These include the £18m district general hospital in Telford, Shropshire, scheduled for completion in 1988— the £17m St George's Hospital in Tooting—and £16.9m Melrose District Hospital on the Scottish borders, both due for completion in 1987; and a £10.5m hospital at Dorchester due to be finished in 1986.

Taylor Woodrow has just completed new district general hospitals in Milton Keynes, North Tyneside, and Northallerton in Yorkshire. The company is also currently building the new £17m Redditch Hospital near Birmingham.

Neither Taylor Woodrow nor Laing have specialist hospital building divisions. The hospital contracts are awarded in competitive tender, and the contractors' relevant regional visions compete for the work.

The DHSS has started building 47 major hospitals—costing more than £5m each—since 1979. On top of this, the Department is also planning a further 140 new hospitals for England, costing more than £2m each, in a programme totalling more than £1bn.

Once the expenditure is approved centrally, the contracts are awarded by the local health authorities.

Lesser wins £11m work

LESSER DESIGN AND BUILD, Teddington, has won contracts totalling more than £11m. Among them is a development costing about £2m at the Swettenham Stud racing stables for the Vernon Organisation at Manton, Wilts. Other projects include an office block for STC at Greenwich, a hotel with a leisure complex for Shire Inns at Penrith and another hotel for Aylesbury Brewery Co at Willen Lake where the leisure complex includes water sports facilities. The project is in conjunction with the Milton Keynes Development Corporation.

*

WILLETT, a Trafalgar House company, has a £3.8m contract for the first phase of Norden Road Business Park in Maidenhead which is being developed by Trafalgar House (Industrial) Developments. Work includes a 112,000 sq ft unit comprising three-storeys of offices and a production or ware-housing area which can be used as one complete facility or sub-divided into four. Completion is due in 12 months.

*

MILLER BUCKLEY CIVIL ENGINEERING has won a land reclamation contract worth over £950,000 awarded by Cheshire County Council for phase 2 of the Ann Street East reclamation scheme at Widnes.

£18m batch for Howard

Contracts with a total value of about £18m have been awarded to JOHN HOWARD & CO and associate companies. Among the largest is the Al Ahli Sports Club, Bahrain, where Unicon (WLL), Bahrain construction company manged by John Howard, has a £6.5m contract from the Ministry of Works, Power and Water, Government of Bahrain, for a complex incorporating sports and function halls, ancillary accommodation, outside sports facilities including two swimming pools and football pitch complete with floodlights, grandstand, roads and services. Work is expected to commence before Christmas. A road fly-over near Kuala Lumpor, Malaysia, is to be built by Mattra Howard Sdn Bhd under a £2.m contract. Work starts shortly. Merseyside Passenger Transport Executive has awarded a £2.56m contract to renew the landing stage, locating booms, access bridge, terminal building and services at Woodside ferry terminal. Work starts on site in January. Havant Borough Council have awarded a £3.95m contract for the supply and placing of 520,000 cu metres of dredged ballast at Hayling Island beach, to South Coast Shipping Co to be carried out in joint venture with John Howard. This contract extends over 1.2 metres of sea wall at Eastoke and work starts in March.

*

Orders worth £3m have been won by ROSSER & RUSSELL. These include a £364,000 order at Bakers Hall, Harp Lane in the City, to provide heating, air conditioning and plumbing for a refurbishment by Wates Development of this 1960's office block. Work is due for completion in November 1985. For BR Western Region at Old Oak Common, Acton, (£450,000) the company is installing lighting and ventilation units in the former high speed train maintenance shed, to accommodate standard 125 diesel trains.

*

LOVELL has won contracts totalling £1.6m. Largest is for six industrial units on the former printing works site of Hazell Watson and Viney in Aylesbury. Worth £818,000 it will be started shortly and is to be completed in 27 weeks. The development is for Building Markets. A contract worth nearly £800,000 is to build 38 bungalows for sale to elderly and retired people at Headless Cross, Redditch.

INSURANCE

Conditions improve in reinsurance market

BY JOHN MOORE, CITY CORRESPONDENT

ARE THE world's reinsurers about to enjoy another boom? The signs are that conditions for international risks carriers who specialise in insuring other insurance groups are better now than for some years.

Mr Ron Iles, head of reinsurance broking at Alexander Howden, argues that direct insurance rates are rising in the U.S. insurance market—which accounts for about half of the world's insurance premiums of $466.2bn (£391.8bn) — because reinsurance capacity is shrinking. At the same time rates are rising.

Mr Iles reckons that increases of 20 per cent and more are being quoted on a range of classes of insurance business, such as general liability, motor, property, casualty and workers' compensation. He suggests that London, whose professional reinsurers carry about $7.5bn in premiums each year, is gaining. Some large U.S. accounts are being offered in London as a number of U.S. insurers and reinsurers are cutting back or withdrawing from certain classes of business in the wake of their disastrous results.

For the last two years each renewal season in London brought signs that the reinsurance cycle had turned and rates were firming. Yet the recovery was not sufficient to change the adverse underwriting experience of some practitioners.

Hardest hit were:

● The captive insurance groups, the in-house insurance companies of non-insurance interests. These companies, the subsidiaries of giant industrial concerns such as Phillips Petroleum and Gulf Oil, have had a difficult time in their offshore bases in Bermuda. In an effort to diversify their portfolios they have taken on poor quality reinsurance business inadequately rated;

● The fringe market in London, dominated by reinsurance pools and agency networks. Again an indiscriminatory approach to underwriting by the practitioners who have been seeking volume increases in their business has led to poor underwriting results;

● So-called "innocent capacity," or the newcomers to reinsurance. In an effort to establish a presence in the reinsurance market newly established reinsurance groups or subsidiaries of existing insurance companies have taken on wholly inappropriate business

This has led to a contraction in capacity. Groups, like the London operation of the Insurance Corporation of Ireland, part of Allied Irish Banks, are calling moratoriums on the renewal of business or the acceptance of new business to try to re-establish some discipline in the ratings of reinsurance business.

Mr Iles says the underwriting trends in reinsurance have led to a reassessment throughout the market of the sort of portfolios established by some practitioners and the rates charged.

"A lot of the causes of the losses we are having in reinsurance are because we have got into areas which we have not properly priced or understand. We are now talking of getting into areas which we understand less and frankly that worries me greatly."

He says reinsurers should keep in mind the simple concepts on which reinsurance is based. "Reinsurance is an extension of direct insurance. Its intention is to give additional capacity to a direct writing company on a cheaper basis than it would be if the direct insurer were to provide more capital.

"It is designed to take out the peaks of losses of the direct insurer. The margins for reinsurers have gone and have not been there for some time even with investment income and both direct insurers and reinsurers have attempted to come up with new products in an effort to expand their premium base. There is not enough statistical information on some of these new classes of business, such as political risk reinsurance."

He says a lot of the pricing in new classes of reinsurance business has been an "entrepreneurial guess at what the rate should be. If it goes wrong and you have not got the premium base the market suddenly puts back."

Reinsurers, for the last few years, have been specialising in more exotic risks which have produced variable and erratic results. Not only have they become involved in areas such as political risks but they have been aggressively involved in the "overdue" market. This involves providing reinsurance protection for insurance claims which have already been notified to direct insurers.

Mr Iles forecasts there will be a lack of reinsurance capacity for the primary insurers, particularly on the main type of reinsurance contract, proportional treaty. This wil compel them to retain more of their own business or to seek reinsurance on a risks by risk basis rather than lay off entire portfolios.

This week in Parliament

TODAY

Commons: Private members' motion until 7 pm; then motions on Merchant Shipping (Liner Conferences) Orders and Appropriation (No 3) (Northern Ireland) Order.

Lords: Friendly Societies Bill, Third Reading. Enduring Powers of Attorney Bill, Committee. Supplementary Benefit (Requirements) Amendment and Temporary Provisions Regulations, 1984. Motion for approval. Charities Bill, Second Reading. Prayer to annul Sale of Optical Appliances Order of Council 1984.

Select Committees: Home Affairs: Sub-Committee on Race Relations and Immigration—Subject: Refugees. Witnesses: Mr David Waddington MP, Minister of State, and Home Office officials (Room 6, 4.15 pm).

Treasury and Civil Service—Subject: Long term trends in taxation and public expenditure. Witnesses: Department of Education and Science officials (Room 15, 4.30 pm).

TOMORROW

Commons: Estimates Day: Class IV, Vote 5 (Industrial support, Department of Energy)—appropriate report will be shown on Order Paper as relevant. House will be asked to agree the Civil and Defence votes on account and Winter Supplementary Estimates. Motion on the Industrial Training Levy (Construction Board) Order. Debate on EEC documents on transport measures.

Lords: British Railways Order Confirmation Bill, consideration on Report. Third Readings of the Bankruptcy (Scotland) Bill and the Family Law (Scotland) Bill. Local Government (Interim Provisions) Act 1984 (Appointed Day) Order 1985, Motion for approval. Elections (Northern Ireland) Bill, Second Reading. Appropriation (No 3) (Northern Ireland) Order 1984, Motion for approval. Dangerous Vessels Bill, Second Reading.

Select Committees: Education, Science and the Arts—Subject: Expenditure/Scrutiny session. Witnesses: Sir Keith Joseph, Education Secretary, and officials (Room 16, 10.30 am).

Defence—Subject: Future defence of the Falkland Islands. Witnesses: MoD officials (Room 16, 4.45 pm).

Procedure—Subject: Public Bill Procedure. Witness: The Study of Parliament group (Room 15, 6 pm).

Joint Statutory Instruments Committee (Room 4, 4.15 pm).

WEDNESDAY

Commons: Motion for the Christmas adjournment. Proceedings on the Consolidated Fund Bill.

Lords: Short debate on Parliamentary role at House of Lords. Short debate on White Paper on Film Policy.

Select Committees: Scottish Affairs—Subject: Impact of airport privatisation on Scottish Lowlands Airports policy. Witness: Department of Transport (Room 19, 10.30 am).

Defence—Subject: Defence commitments and resources: international and Nato aspects. Witnesses: MoD and Foreign Office officials (Room 15, 10.45 am).

Transport—Subject: Financing of public transport services. Witnesses: London Joint Cab Trade and Dr D. Quarmby (Room 17, 11 am).

Treasury and Civil Service Sub-Committee—Subject: Financial and economic consequences of UK membership of EEC. Witnesses: Building Employers Federation; British Footwear Manufacturers Federation (Room 8, 4.15 pm).

Private Bill Committee—Dartmoor Commons (Room 5, 10.30 am).

Unopposed Bills—Alexandra Park and Palace (Room 9, 4 pm).

THURSDAY

Commons: Motion to take note of Review by Sir George Baker. Motion on Northern Ireland (Emergency Provisions) Act 1978 (Continuance) (No 2) Order.

Lords: Consolidated Fund Bill, all stages. British Railways Order Confirmation Bill, Third Reading. Motions for approval of the Merchant Shipping (Liner Conferences) (Conditions for Recognition) Regulations 1984; Merchant Shipping (Liner Conferences) (Mandatory Provisions) Regulations 1984; Companies (Share Premium Account) Regulations; and Industrial Training Levy (Construction Board) Order 1984. Motions for approval of the Unfair Dismissals (Increase of Compensation) Limit Order 1984 and Hill Livestock (Compensatory Allowances) Regulations 1984, and the Statutory Sick Pay Up-Rating Order 1984.

FRIDAY

Commons: House will rise for Christmas adjournment until Wednesday, January 9 1985.

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TODAY

COMPANY MEETINGS—
Japan Assets Trust, 1, Charlotte Square, Edinburgh 4.30
Lucas Inds, Metropole Hotel, Birmingham, 12.00
Manganese Bronze Hldgs, 1, Love Lane, EC, 12.00
Nolton, Great Eastern Hotel, Liverpool Street, EC 11.30
Norton Villiers Triumph, 1, Love Lane, EC, 11.00

BOARD MEETINGS—
Finals:
GT Asia (Sterling)
Grt Western Resources
Pyke Hldgs
Redfearn Natl Glass
Sparrowhawk
Whessoe
Interims:
Belhaven Brewery
Calvins
Davis (Godfrey)
Hampton Gold Mng Areas
Havelock Europa
May and Hassell
Scottish and Newcastle Brews
Stock Conversion and Inv Tst

DIVIDEND & INTEREST PAYMENTS—
BBL Intnl Fltg Rate Nts 1988 $326.00
Bank of Ireland Cap 5.5p
Barclays O'seas Inv Gtd Fltg Rate Nts 1990 $65.50
Bell (Arthur) 3.4p
British Dredging 1p
Ralgis (A. F.) 0.58p, A NV 0.58p
Chesebrough-Ponds Inc 48cts
Credit National Gtd Fltg Rate Nts 1995 F136.75
EAR Finance Gtd Fltg Rate Nts 1993 $324.30
Florida Power and Light 94cts
Henderson Group 2.25p
Honeywell Inc 47.5cts
Hutton (E. F.) 20cts
King and Shaxson 2.6p. Cum Ptg Pf 1.79p. 5pc2ndPf 1.75p
Land Securities 2.6p
Malaysia Mining Corp Berhad 3sen
Murray Electronics 0.15p
REC Intnl Income Fd Ptg Red Pf 45cts
Senior Eng Distrib 1994-99 4½pc
Smart (J.) (Contractors) 2.65p
Telemetrix 0.9p
Utd Mizrahi Intnl Inv Gtd Fltg Rate Nts 1987 $652.00
Whittington Engineering 1.4p

TOMORROW

COMPANY MEETINGS—
Fundinvest, 11, Devonshire Square, EC, 12.00
New Court Trust, New Court St Swithins Lane, EC 2.45
Scottish Cities Inv Tst, Great Eastern Hotel, Liverpool Street, EC, 12.00
Scottish National Trust, 181-185, West George Street, Glasgow 12.00
S— Industries, 765, Finchley Road, NW 12.00
TR Australia Inv Tst, Mermaid House, 2, Puddle Dock, EC, 10.30

BOARD MEETINGS—
Finals:
Bush Radio
F and C Alliance Inv
J. and N. B. Jackson
Trident TV
Watson and Philip
Western Selection
Wrdney
Williamson Tea
Interims:
Equity and Law Life Assurance Soc
Reed Executive
Russell Bros (Paddington)
Tops Ests

DIVIDEND & INTEREST PAYMENTS—
Allied Irish Banks 4.5p
Ind Credit and Inv Corp of India Fltg Rate Nts 1991 $310.30
Nationwide Bldg Soc 10¼pc 24.6.85 £¼pc
North Sea Assets 1.5p
Prestwich Hldgs 0.7p
Riggs National Corp Fltg Rate Subord Nts 1996 $304.81
Riverview Rubber Estates Berhad 8sen
Scottish Cities Inv Tst 10.5p. A NV 10.5p
Telwen Power Fltg Rate Nts 1992 1638.59
Unilever NV Fl 2.795

WEDNESDAY DECEMBER 19

COMPANY MEETINGS—
Cramphorn, Corbo Mill, Chelmsford, 12.00
Eolcarc Hldgs, Charing Cross Hotel, Strand WC, 12.00
Hepworth (J.), Queens Hotel, Leeds, 12.00
Stockdale Hldgs, Great Eastern Hotel, Liverpool Street, EC 12.00

BOARD MEETINGS—
Chemring
Crystalate
Flexello Castors and Wheels
Pkt Pet
Stainless Metalcraft
Westland
Interims:
Aisichi Tin
Dasae Inv Tst
Harris (Philip)
London and Assd Inv Tst
Mansfield Brewery
Merston Thompson and Evershed
Olvau
Syltone

DIVIDEND & INTEREST PAYMENTS—
Ambrose Inv Tst 3p
Bowthorpe Hldgs 2.07p
CNA Gallo 4cts
Citicorp O'seas Fin Gtd Fltg Rate Subord Cap Nts 10.9.98 $300.17
Cramphorn 3.5p
English and Intnl Tst 2p
Flight Refuelling 1.1p
Glynwed Intnl 3.25p
Marine Midland Bank Fltg Rate Subord Cap Nts 1996 $301.75
NBE Fin Gtd Fltg Rate Serial Nts 1987 $521.0a
Scottish National Tst 2.95p. 6pcPf 2.1p
Stockdale Hldgs 9p
Utd Mizrahi Intnl Inv Gtd Fltg Rate Nts 1988 $838.50

THURSDAY DECEMBER 20

COMPANY MEETINGS—
Drayton Consolidated Trust, 11, Devonshire Square, EC, 12.00
Fashion and Gen Inv, Great Eastern Hotel, Liverpool Street, EC, 12.00
GR Hldgs, Chartered Accountants Hall, Moorgate Place, EC, 12.00
Intervision Video, Great Eastern Hotel, Liverpool Street, EC, 11.00
LWT, South Bank Television Centre, Kent House, Upper Ground SE, 3.00
Peters Stores, Holiday Inn, Great North Road Seaton Burn, Newcastle upon Tyne, 12.00
Simpson (S.), 34, Jermyn Street, SW, 12.00

BOARD MEETINGS—
Finals:
Aspinall
Bankers Inv Tst
Frontier Tst and Agency
Grand Met
Leech (William)
M and G Grp
Mayfair and City Props
Interims:
Batleys of Yorkshire
Berisfords
British Elec Traction
Distillers
MJI
Petbow
Rexmore
Rotaprint
Stirling
Wellman

DIVIDEND & INTEREST PAYMENTS—
Ansbacher (Henry) 1.5p
Bank of Montreal Fltg Rate Debs Series 5 1905 $63.54
CPU Computers 0.9p
Canadian O'seas Packaging 30cts
Essex Water 3½pc Perp Deb 1¾pc. 4pc Perp Db 2pc. 5pc Perp Db 2½pc. 5pc Db 1990-91 2½pc. 5½pc Db 1993-95 2¾pc. 6pc Db 1982-84 3¼pc. 7pc Db 1986-88 3½pc. 7pc Db 1987-89 3½pc. 7¼pc Db 1991-93 3⅝pc. 8pc Db 1991-93 4pc. 10pcDb 1992-94 5pc. 10½pc Db 1994-98 5¼pc
Fashion and Gen Inv 4.4p
Great Universal Stores 10.5p. A 10.5p
Halliburton 45cts
Hanover Invs 1p
InterNorth Inc 62cts
Japan Assets Tst 0.05p
M and G American Recovery Fd 0.53p
New Court Tst 10.125p
Pfizer 33cts
Porto Alegre (City of) Gtd 5pc Gold Bds 2½pc
Regentcrest 1p
Sungei Besi Mines Malaysia 13sen

FRIDAY DECEMBER 21

COMPANY MEETINGS—
Barton Transport, Novotel, Bostock Lane, Long Eaton, Nottingham, 11.05
Bolton Textile Mill, Connaught Rooms, Great Queen Street, WC, 12.50
Brooke Bond Group, Glaziers Hall, 9 Montague Close, London Bridge SE, 12.00
Clyde Blowers, Livingstone Street, Clydebank, Dunbartonshire, 11.00
Lowland Inv, 28, Finsbury Square, EC, 2.30
McKechnie Bros, Metropole Hotel Birmingham, 12.00
Rosehaugh, Claridges, Brook Street, W, 15.00
Wemyss Inv Tst, 4, Melville Crescent, Edinburgh 12.30
Yarrow, Charing Cross Tower, Glasgow, 3.00

BOARD MEETINGS—
Finals:
Brunner Inv Tst
Kelsey Inds
Nash Inds

DIVIDEND & INTEREST PAYMENTS—
Banco Espir Santo E Com De Lisboa Fltg Rate Nts 1990 $535.59
British-Borneo Petrol 5p
Dentsply 9½pcLn 1981-91 4¾pc
Drayton Consolidated Tst 0.9p
Falcon Mines 30cts
Marlborough Property Hldgs 0.2p
Multibanco Comermex Fltg Rate Nts 1984 $63.86
Scandinavian Finance Fltg Rate Serial Nts Dec 1993 $632.24
Spain (Kingdom of) 12pc Ln 1988 6pc
Tern Group 0.75p

SATURDAY DECEMBER 22

DIVIDEND & INTEREST PAYMENTS—
Aberdeen Tst 3.25p
EPCC 6.5pc Non Cum Red Pf 3.25p. 7.5pc Non Cum Red Pf 3.75p. 7.75pc No Cum Red Pf 3.875p
Gievrs Group 1p

Closing prices, December 14

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
23½	13¾	AAR	.48	2.8	15	1372	17¼	15⅝	17⅜	+1
30½	9⅞	AGS			8	81	11	10¾	10⅞	+ ⅛
22	13½	AMCA	1	7.1		10	14	13⅞	14	+ ¼
17⅞	13⅝	AMF	.50	3.4	82	508	14⅝	14⅜	14¼	
41¼	24¼	AMR			8	10348	35⅞	34⅞	35½	+1
20⅞	18¼	AMR	pf2.18	11.		33	19	18¾	19	+ ¼
41⅛	27½	AMR	pf2.13	5.8		330	36½	35¾	36⅞	+ ⅞
25¾	22⅞	ANR	pf2.67	11		55	24	23⅝	23⅞	– ⅛
15⅞	8½	APL			3	28	11½	10½	11⅜	+ ¼
71⅞	40⅞	ARA	2.10	2.9	14	1002	71⅞	71	71¼	+ ⅜
69¾	44⅜	ASA	3	6.3		531	48⅝	47¼	47¾	–1
30⅞	16	AVX	.32	1.9	10	628	16⅝	16⅜	16½	+ ⅛
48⅜	35¾	AbtLab	1.20	3.0	13	2712	40⅞	40⅛	40⅝	+ ⅜
23⅛	16½	AccoWd	s.44	2.0	18	47	21½	21⅛	21½	
27¼	12½	AcmeC	.40	2.9		36	14	13¾	13¾	– ⅛
12⅛	6⅞	AcmeE	.32b	3.8	12	7	8⅞	8⅞	8⅞	– ⅛
18⅜	15	AdaEx	2.11e	13		52	16½	16⅛	16⅞	+ ⅛
18⅞	11⅞	AdmMl	.32	2.2	7	26	14⅛	13⅞	14⅛	+ ¼
21½	8¼	AdvSys	.81t	9.0	8	377	9⅜	8⅞	9	– ¼
41⅛	25⅞	AMD			12	5868	26⅞	25⅞	26	+ ½
14⅞	6⅞	Advest	.12	1.6		66	7⅞	7⅝	7⅞	+ ⅛
16⅞	8¼	Aerflex			10	26	10½	10⅜	10½	+ ⅛
39	27¾	AetnLf	2.64	7.5	29	1241	35½	34⅞	35¼	+ ⅜
58⅞	52⅛	AetL	pf5.87e	11		20	54	54	54	
34½	15⅞	Ahmns	1.20	4.8	11	2060	25¼	24⅝	25	
5⅜	2⅞	Aileen				14	2⅞	2⅞	2⅞	
[illegible]										

Continued on Page 25

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AMERICAN STOCK EXCHANGE COMPOSITE CLOSING PRICES

Closing prices, December 14

[illegible]

Continued on Page 26

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued from Page 24

[illegible]

12 Month High	Low	Stock	Div. Yld. P/E	Sls 100s	High	Low	Close	Ch'ge Prev. Close
10¾	2	WmEl		286	2¾	2	2⅛	-⅜
10¾	6⅛	WichrO	.10 1.5 16	45	6½	6⅜	6½	
33¾	25¼	WinDix	1.68 5.4 11	75	31⅛	30¾	31⅛	-¾
14⅞	7⅞	Winnbg	.10e 9 12	694	13⅜	12½	13¼	+¾
16¾	5⅛	Winner	12	135	6	5⅝	6	+⅜
11½	3⅞	WinterJ		31	3⅞	d3¾	3¾	-⅛
33⅜	25¼	WiscEP	2.28 7.3 7	874	31¼	30⅞	31⅛	
79	68⅝	WisE	pf8.80 12	z200	75	74	74	-1
68	59½	WisE	pf7.75 12	z300	64½	63½	63½	-1⅝
30⅞	25⅝	WiscPL	2.56 8.6 8	84	29	28¾	29	+⅛
32⅞	24¾	WiscPS	2.56 8.2 7	166	31½	31⅛	31⅜	+⅜
35½	27⅞	Witco	1.48 4.7 7	191	32	31½	31¾	+⅛
17⅞	9⅝	WolvrW	.24 2.4 14	411	10	9½	10	+⅛
27½	18⅝	WoodPt	.72 3.3 15	192	21¾	21½	21¾	
38⅝	29⅞	Woolwth	1.80 5.0 9	410	36	35¼	35⅞	+⅜
5¼	2⅝	WrldAr		34	2⅝	2½	2⅝	+⅜
60	45	Wrigly	1.80a 3.2 10	41	55¾	55	55½	+⅝
8⅞	3¼	Wurltzr		14	4	3⅞	3⅞	-⅛
25⅛	10⅛	WyleLb	.32 2.6 8	61	12⅜	12	12⅛	
20½	16½	Wynns	.60 3.4 7	19	17⅞	17½	17½	
		X–Y–Z						
52⅞	33¾	Xerox	3 7.7 11	4893	39⅛	38¾	38⅞	+⅝
50½	45¼	Xerox	pf5.45 11.	134	48⅞	48¾	48⅞	+½
36¾	19	XTRA	.3 1.8	442	20⅞	20⅛	20⅞	-⅝
31¼	24	ZaleCo	1.32 4.8 9	11	27½	27¼	27½	
24⅞	15¾	Zapata	.84 5.1 12	990	16½	16¼	16⅜	-⅝
48	28½	Zayre	.40b .9 12	400	45⅞	45	45⅞	+⅛
38⅞	20	ZenithE	7	596	21¾	20⅞	21¼	+⅜
27⅞	18	Zero	.40 2.0 15	30	20½	20¼	20½	-¼
30½	21⅝	Zurnin	1.32 5.0 11	76	26⅝	26¼	26½	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E–price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–when distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full.

WORLD STOCK MARKETS

OVER-THE-COUNTER

Nasdaq national market, closing prices prices, December 14

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 27

CANADA

TORONTO

Closing prices December 14

Sales	Stock	High	Low	Close	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
38836	Turbo I	29	28	28	−1
150	Uncorp A f	57$\frac{1}{2}$	7$\frac{1}{4}$	7$\frac{1}{8}$	+ $\frac{1}{2}$
1725	Un Carbd	810$\frac{1}{4}$	10$\frac{1}{4}$	10$\frac{1}{8}$	− $\frac{1}{4}$
14417	Union Gas	611$\frac{7}{8}$	11$\frac{5}{8}$	11$\frac{1}{8}$	+ $\frac{1}{8}$
700	U Keno	59$\frac{1}{4}$	8	9$\frac{1}{8}$	− $\frac{1}{8}$
3062	U Siscoe	140	129	139	− 1
12590	Verstl A f	55$\frac{7}{8}$	5$\frac{1}{2}$	5$\frac{1}{2}$	− $\frac{1}{4}$
10100	Vestgron	510$\frac{1}{4}$	10	10	− $\frac{1}{8}$
1000	Weldwod	613$\frac{1}{4}$	13$\frac{1}{4}$	13$\frac{1}{4}$	
500	Westfort e	13	13	13	
7460	Westmn	511$\frac{1}{8}$	11$\frac{1}{2}$	11$\frac{1}{4}$	
25	Westnhse	554	54	54	+ 2
2625	Weston	573$\frac{1}{2}$	73	73$\frac{1}{2}$	
3282	Woodwd A	611$\frac{1}{4}$	11	11	
5325	Yk Bear	511$\frac{1}{2}$	11$\frac{1}{2}$	11$\frac{1}{2}$	

Total sales: 10,818,224 shares

AMERICAN STOCK EXCHANGE CLOSING PRICES

Continued from Page 25

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

S-S-S · T-T-T · U-U-U · V-V-V · W-W-W · X-Y-Z

AUSTRIA

1984 High	Low	Dec. 14	Price %
238	202	Credit'stelt Pfd..	226
342	318	Goesser	351
410	381	Interunfall	597
227	203	Laenderbank	286
389	300	Perimooser	355
167	159	Steyor-Daimlor.	168
259	206	Veitscher Mog	242

FRANCE

1984 High	Low	Dec. 14	Price Frs.
1,999	1,645	Emprunt 4½% 1973	1,643
10,020	8,870	Emprunt 7% 1973	8,870
244	802	Accor..	240
578	497	Air Liquide	557
519	575	BIC	429
1,995	1,415	Bongrain	1 680
836	560	Bouygues	675
2,885	2,400	BSN Gervais	2 450
1,558	1,012	CIT Alcatel	1,300
1,915	1,005	Carrefour	1,805
1,145	774	Club Mediter	1,035
600	427	Cie Bancaire	560
282	207	Cofimeg	240.5
2,430	2,241	Damert	2,350
1,197	780	Darty.	1,150
941	583	Dumez S.A	640
598	488	Eaux (Cie Gen.)	630
278	179	Elf-Aquitaine..	221
3,020	2,195	Essilor.	2,885
706	537	Gen.Occidentale.	640
27.4	63.9	Imetal	78.6
393.5	300	Lafarge-Coppee..	360.1
2,600	9,101	L'Oreal	2,260
2,540	1,778	Legrand	1,880
357	140	Maisons Phenix..	188.2
2,050	1,300	Matra S.A..	1,755
1,084	740	Michelin B.	761
2,095	1,379	Midi-Cie	2,095
1,871	1,313	Moet-Hennessy	1,805
140.5	80	Moulinex	21
71.6	43.7	Nord Est.	69.6
845	662	Pernod Ricard	741
074	402	Perrier	491.5
313	184.5	Petroles Fra.	241.8
857.5	179.5	Peugeot S.A..	951
199.9	130.2	Printemps (Au..)	186
410	207	Radiotech	238
1,340	1,000	Redoute	1,905
1,710	726	Roussel-Uclaf	1,520
289	235	Sefimeg	289
1,749	1,180	Skis Rossignol	1,749
9,200	1,470	Telemech Elect..	2,905
400	939	Thomson (CSF)..	400
358	205	Valeo	958

GERMANY

1984 High	Low	Dec. 14	Price Dm
115.7	80	AEG-Telef.	102.2
1,147	795	Allianz Vers	964
179.2	142.5	BASF	176.4
187.8	152.8	Bayer	185.1
329.5	247	Bayern-Hypo	318
[illegible]	[illegible]	[illegible]	[illegible]

NORWAY

1984 High	Low	Dec. 14	Price Kroner
[illegible]	[illegible]	[illegible]	[illegible]

ITALY

1984 High	Low	Dec. 14	Price Lire
[illegible]	[illegible]	[illegible]	[illegible]
32,300	89,070	Generali (Assc.)	31,870
3,485	9,621	Invest	2,295
64,950	40,500	Italcementi	64,500
507	345	La Rinascente	512
1,363	1,112	Montedison	1,575
6,080	3,865	Olivetti	5,798
3,446	2,464	Pirelli Co	3,445
1,974	1,419	Pirelli Spa	1,887
8,101	1,336	Snia BPD	8,101
14,600	10,750	Toro Assic.	12,100
11,310	8,060	do. Prof	8,250

NETHERLANDS

1984 High	Low	Dec. 14	Price Fls
915	123	ACF Holding.	187
145	107	AEGON	145
235	168.5	Ahold	178.8
193.8	77	AKZO	26.5
445	902	ABN..	359
200.8	141.9	AMEV	195
82	61.6	AMRO	63.2
229	161	Bredero Cert	157
52	8.8	Bos Kalis Westm	10.7
75	61	Buehrmann-Tet..	70.9
41.5	30.1	Calland Hldgs	61.2
161.8	124	Cordtsche Pet'm	155
117	73	Elsevier-NDU nv.	115.2
83.2	41	Fokker	86.2
173.6	160.7	Gist-Brocades..	165.3
157	116	Heineken	142.5
56.4	41.5	Hoogovens	62
44.8	39.6	Int Mueller	36.8
46.5	30.0	KLM	43.7xe
49.0	34.1	Naarden	46.9
844	196	Nat Ned Cert	245.5
188	123	Ned Mid Bank.	141.5
165.8	92.7	Nedlloyd	181.7
272	818	Oce Grinten.	879
54.5	24.4	Ommoren (Van)..	97.2
77	55	Pakhoed	65
57.3	41.7	Phillips	53.3
70	08.3	Robeco	67.3
158	130.1	Rodamco	135.9
67.4	65.3	Rolinco	61.4
45.5	39.6	Rorento..	45.1
180.3	136.2	Royal Dutch	168.5
515.2	258.5	Unilever	228.6
140	90	VMF Stork	136.8
202.5	137	VNU..	900.7
145.5	72.5	West Utr Bank	112

BELGIUM/LUXEMBOURG

1984 High	Low	Dec. 14	Price Frs.
2,085	1,740	B.B.L.	1,810
5,600	4,865	Banq. Int. A. Lux	5,500
5,000	5,105	Bekaert B.	4,340
2,800	2,010	Ciment CBR.	8,498
388	175	Cockerill	271
6,050	4,750	Delhaize.	0,500
2,920	2,290	EBES	26,50
8,800	5,850	Electrobel	8,600
2,425	1,800	Fabrique Nat	2,050
3,595	3,060	GB Inno BM..	3,195
2,800	2,065	GBL (Brux).	2,090
3,235	9,970	Gevaert	3,585
6,480	4,860	Hoboken.	5,970
3,000	1,805	Intercom	2,130
7,610	6,280	Kredietbank.	7,560
10,350	8,950	Pan Hldgs	9,700
8,210	6,010	Petrofina	7,030
10,500	7,520	Royale Belge	10,500
3,500	2,885	Soc. Gen. Banq..	3,430
1,940	1,600	Soc Gen. Belge ..	1,830
8,540	5,190	Sofina	7,750
4,500	3,430	Solvay	4,075
1,520	1,050	Stanwick Intl.	1,440
4,300	5,125	Tractionel	3,910
5,490	3,940	UCB	4,200
2,670	1,865	Wagon Lits	2,425

DENMARK

1984 High	Low	Dec. 14	Price Knr. %
562	216	Andelsbanken	678
720	510	Baltic Skand	560
350	907	CopHandelsbank	972
850	505	D. Sukkerfab	505
355	205	Danske Bank	872
1,900	230	De Danske Luft.	1,055
218	156	East Asiatic	167
1,250	720	Forenede Brygg.	720
153	66	Forenede Damp.	22
700	352	GNT Hldg	380
725	564	I.S.S.B.	585
760	445	Jyske Bank	500
3,150	1,200	Novo Ind.	1,330
572	205	Privatbanken	240
370	223	Provinsbanken	547
300	200	Smidth (F.)	226
1,376	845	Sophus Berend	895
536	411	Superfos	420

SWITZERLAND

1984 High	Low	Dec.14	price Frs.
928	880	Alusuisse	728
4,590	3,360	Bank Leu	6,750
1,580	1,240	Brown Boveri	1,380
2,560	2,085	Ciba-Geigy	2,395
2,190	1,655	do. (Part Certs).	1,950
2,385	2,040	Credit Suisse	2,340
2,820	2,200	Elektrowatt	2,640
748	590	Fischer (Geo)	600
112 250	86,135	Hoff Roche PtCts	85,500
10,900	8,600	Hoff-Roche 1/10.	2600
5,825	5,725	Jacobs Suchard..	5,300
1,945	1,700	Jelmoli	1,900
1,600	1,990	Landis & Gyr	1,500
5,500	4,665	Nestle	6,440
1,545	1,030	Oer-Buehrle	1,550
280	243	Pirelli	250
7,600	6,450	Sandoz (Br)	6,200
1,225	940	Sandoz (Pt Cts)	1,090
645	460	Schindler (Pt Cts)	645
4,010	810	Sika..	1,050
4,175	3,410	Surveillance	3,770
1,030	900	Swissair	1,020
368	509	Swiss Bank	558
2,550	7,050	Swiss Reinsce.	8,300
1,590	1,320	Swiss Volksbk.	1,470
5,650	3,150	Union Bank	3,360
3,540	9,770	Winterthur	5,300
18,900	16,550	Zurich Ins..	17,950

SWEDEN

1984 High	Low	Dec. 14	Price Kronor
400	330	AGA	385
302	170	Alfa-Laval	184
480	280	ASEA (Free)	329
540	600	Astra (Free)	320
141	92	Atlas Copco	96.5
531	905	Cardo (Free)	245
192	114	Cellulosa	119
288	215	Electrolux B	254
380	247	Ericsson	947
370	250	Esselte	980
575	218	Mo Och Domsjo.	258
947	153	Pharmacia	100
509	310	Saab Scania Free	446
495	310	Sandvik	333
425	278	Skandia	600
75	51.5	Skan Enskilda.	51.6
222	154	SKF	169
197.5	145	St. Kopparberge	155
257	162	Sven Handelsbn.	186
380	216	Swedish Match	256
258	189	Volvo B (Free)	214

JAPAN

1984 High	Low	Dec. 15	Price Yen
1,270	280	Ajinomoto	1,090
9,860	1,850	Alps Electric.	2,000
1,410	985	Amada	1,100
666	405	Asahi Chem.	610
889	655	Asahi Glass	889
653	596	Bridgestone	641
1,670	1,070	Canon	1,560
1,810	1,080	Casio Comp.	1,810
1,170	940	Chugai Pharm	1,150
709	446	Citizen	680
757	680	Daiei	630
1,180	875	Dai Nippon Ptg	992
[illegible]	[illegible]	[illegible]	[illegible]
500	382	Toray	480
480	367	Toshiba Elect.	430
666	530	TOTO	620
885	485	Toyo Seikan.	810
1,600	1,200	Toyota Motor	1,280
3,400	1,830	Victor.	1,940
823	700	Wacoal	741
753	479	Yamaha.	720
1,270	1,140	Yamanouchi	1,870
800	606	Yamazaki	726
385	246	Yasuda Fire	360
480	328	Yokogawa Bdge.	624

SPAIN

1984 High	Low	Dec. 14	Price P'ta %
368	252	Bco Bilbao.	520
375	278	Bco Central	314
223	123	Bco Exterior	905
264	157	Bco Hispano.	178
421	294	Bco Popular.	662
348	267	Bco Santander	328
181	190	Dragados	166
81.2	41.2	Hidrola	75
90.5	40.5	Iberduero	81.7
172.5	108	Petroleos	145.2
104.7	69.7	Telefonica.	21.6

SOUTH AFRICA

1264 High	Low	Dec. 14	Price Rand
5.8	1.25	Abercom	1.35
2.75	7.2	AE & CI	7.25
42.26	85.5	Anglo Am. Coal..	40
26.55	19.75	Anglo Am Corp..	91.8
178	187	Anglo Am. Gold..	159.25
83.5	14.9	Barclays Bank	17.6
14.25	10.16	Barlow Rand	10.65
88.5	56.8	Buffels	73
3.6	1.7	CNA Gallo	8.65
6.5	3.2	Currie Finance	4.4
10.2	8.15	De Beers	8.87
58.5	56.5	Driefontein	47.75
61	23	FS Geduld.	45.5
33.3	22.5	Gold Fields S.A.	86.5
6.5	5.50	Highveld Steel	3.65
19.76	10.7	Nedbank	19
21.5	12.6	OK Bazaars	15.35
6.80	1.45	Protea Hldgs	1.65
32	20	Rembrandt	29.5
15.75	13.1	Rennies	14.25
18.55	12.55	Rust Plat	14.7
9.5	6.6	Sage Hldgs	7.25
7.9	6.6	SA Brews	5.85
88.76	17.8	Smith (C.G.)	22.75
16.00	6.76	Tongaat Huletts.	7.45
5.90	4.00	Unisec	6.1

AUSTRALIA

1984 High	Low	Dec. 14	Price Aust. $
5.93	4.27	ANZ Group	5.05
1.05	0.50	Alliance Oil Dev.	1.05
2.11	1.40	Ampol Pet.	1.75
1.05	0.80	Ashton	0.84
1.97	1.65	Aust. Cons. Ind	1.77
3.4	9.35	Aust Guarantee	9.6
2.75	1.90	Aust. Nat. Inds.	2.38
2.46	1.80	Aust. Paper	2.15
6.40	5.00	Bell Group	5.32
5.90	3.50	Bell Res.	4.95
1.72	1.15	Bond Corp Hldgs	1.16
4.00	3.02	Boral	5.2
2.72	1.42	Bougainville	1.55
3.62	2.50	Brambles Ind	3.8
3.62	2.1	Bridge Oil	2.25
6.08	4.68	B.H. Prop.	4.95
6.20	4.46	CRA	4.52
4.28	2.74	CSR	2.77
4.56	3.82	Carlton & Utd	4.50
5.56	4.08	Castlemaine Tys	4.28
4.24	3.30	Coles (G.J.)	3.85
5.29	8.05	Comalco "A"	2.1
1.30	0.57	Consolidated Pet	0.58
1.6	1.10	Costain Aust.	1.4
2.00	1.45	Dunlop Aust.	1.86
3.63	2.33	Elders IXL	3.5
1.80	1.30	Energy Res	1.45
2.40	1.85	Gen. Prop. Trust	2.16
5.95	9.88	Hardie (James)	3.1
5.3	1.90	Hartogen Energy	2.4
4.65	9.95	Herald W'y Times	3.35
2.55	1.75	ICI Aust	2.00
0.48	0.18	Jimberlana F.P.	0.3
0.00	0.11	Kiaora Gold	0.12
6.5	4.46	Lend Lease	5.26
3.98	2.59	MIM	2.65
5.86	2.12	Mayne Nickless.	9.95
2.15	1.59	Myer Emporium.	1.67
3.92	6.00	Nat. Aust. Bank	3.46
12.80	8.0	News	9.38
6.2	2.45	Nicholas Kiwi	5.14
3.32	1.96	North Bkn Hill	1.96
1.11	0.81	Oakbridge	0.63
1.48	0.26	Pancont'l	0.96
2.09	1.1	Pioneer Conc.	1.82
6.10	2.70	Poseidon	2.88
1.21	0.94	Queensland Coal	1.18
3.16	2.4	Reckitt & Coln.	2.98
1.40	1.01	Repco	1.15
8.20	6.48	Santos	5.74
4.40	3.90	Smith (Howard)	3.85
2.48	1.53	Thos. Nationwide	1.88
5.9	4.98	Tooth	6.8
4.05	2.55	Vamgas	3.15
4.46	9.76	Western Mining	2.76
4.08	3.38	Westpac Bank.	3.83
1.66	0.93	Woodside Petrol.	1.02
2.80	9.2	Woolworths	2.89
3.82	2.50	Wormald Intl.	3.05

SINGAPORE

1984 High	Low	Dec. 14	price $
3.14	1.66	Boustead Hldgs.	1.71
3.14	2.56	Cold Storage	8.59
10.70	6.35	DBS	5.75
6.00	4.62	Genting	4.94
2.91	1.90	Haw Par. Bros	2.05
4.74	2.88	Hong Leong Fin.	3.08
3.65	2.61	Inchcape Bhd.	8.45
3.65	1.58	Keppel Shipyard	1.61
10.40	5.40	Malay Banking.	5.6
3.32	2.2	Malay Utd. Ind.	2.45
8.87	0.9	Multi Purpose	0.95
11.80	8.75	OCBC	8.95
6.05	3.04	OUB	6.88
2.53	1.88	Public Bank	1.73
2.87	1.82	Sime Darby	1.83
6.95	4.48	Straits Trdg	4.66
3.99	2.90	Tate Lee Bk.	2.92
5.00	4.14	UOB	4.32

HONG KONG

1984 High	Low	Dec. 14	Price H.K.$
28.7	17.8	Bank East Asia	22.8
10.6	6.15	Cheung Kong	9.25
12.6	7.6	China Light	11.9
4.35	1.14	Evergo	1.58
47.0	25.9	Hang Seng Bank.	41.25
7.4	5.05	HK Electric	6.45
4.8	2.75	HK Kowloon Wh.	4.8
4.3	9.02	HK Land.	3.75
7.76	5.2	HK Shanghai Bk.	7.5
49	35.6	HK Telephone.	48.25
16.7	8.4	Hutchison Wpa	16.7
14.4	5.5	Jardine Math	8.8
4.3	2.25	New World Dev	4.35
2.87	1.95	Orient O'seas.	2.8
4.0	8.02	O'seas Trust Bnk	2.57
8.3	4.12	SHK Props.	7.45
2.60	1.44	Shell Elect.	1.81
21.0	16.9	Swire Pac A	20.8
4.25	2.65	TV-B.	4.8
4.2	3.85	Wheel'k Mard A.	3.2
2.3	1.11	Wheel'k Maritme	1.15
8.6	1.37	World Int. H'ldgs	1.52

NOTES:—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

INTERNATIONAL CAPITAL MARKETS

Indices

NEW YORK

DOW JONES

	Dec. 14	Dec. 13	Dec. 12	Dec. 11	Dec. 10	1984 High	1984 Low	Since Compil'tn High	Since Compil'tn Low
•Industri'ls	1175.61	1168.84	1175.15	1176.53	1172.26	1286.64 (6/1)	1088.07 (24/7)	1287.20 (29/11/83)	41.22 (2/7/32)
H'me Bnds	72.07	72.09	72.35	72.16	72.01	72.88 (28/11)	64.81 (25/5)	—	—
Transport..	534.99	529.01	530.78	526.24	525.58	612.66 (8/1)	444.05 (55/7)	612.63 (9/1/84)	12.32 (8/7/32)
Utilities.....	144.69	144.34	144.80	144.54	144.54	146.59 (6/11)	122.25 (15/6)	163.72 (20/4/69)	10.6 (28/4/42)
TradingVol 000·1	95,060	80,850	78,710	80,240	91,140	—	—	—	—

•Day's High 1187.28 (1183.52) low 1166.64 (1162.65)

Industrial div. yield %	Dec. 7	Nov. 30	Nov. 23	year ago (approx)
	6.04	4.22	4.79	4.47

STANDARD AND POORS

	Dec. 14	Dec. 13	Dec. 12	Dec. 11	Dec. 10	1984 High	1984 Low	Since Comp'tn High	Since Comp'tn Low
Indust'ls. ..	191.52	180.67	191.68	182.51	129.05	181.49 (0/11)	167.74 (24/7)	194.84 (10/10/83)	5.82 (59/6/32)
Comp's'te	162.68	161.91	162.63	163.07	162.83	170.41 (6/11)	147.82 (24/7)	172.15 (10/10/83)	4.40 (1/6/32)

	Nov. 28	Nov. 14	Nov. 7	year ago (approx)
Industrial div. yield	4.12	4.07	3.26	3.72
Industrial P/E ratio	10.60	10.69	10.89	14.43
Long Gov. Bond Yield	11.37	11.71	11.67	11.49

N.Y.S.E. ALL COMMON

Dec. 14	Dec. 13	Dec. 12	Dec. 11	1984 High	1984 Low
93.92	93.42	23.79	94.00	98.18 (6/11)	85.13 (24/7)

Rises and Falls

	Dec. 14	Dec. 13	Dec. 12
Issues Traded...	2,014	2,001	2,006
Rises..........	910	674	654
Falls..........	601	800	804
Unchanged......	503	527	548
New Highs......	19	19	17
New Lows.......	47	47	39

TORONTO	Dec. 14	Dec. 13	Dec. 12	Dec. 11	1984 High	1984 Low
Metals & Minerals	1868.7	1852.6	1863.6	1873.8	2524.4 (12/1)	1641.2 (25/7)
Composite	2345.2	2367.4	2341.7	2346.5	2585.7 (8/1)	2079.7 (24/7)
§ MONTREAL Portfolio	117.08	116.46	118.48	118.88	126.83 (10/1)	100.56 (24/7)

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
AT & T	1,909,100	18¾	+ ¼	Pan Am	1,056,100	4½	+ ¼
Union Carbide	1,787,700	36⅛	− ⅛	St Telecom ...	1,026,000	12⅝	+ ½
Phillips Pet ...	1,775,000	54¼	+ ½	Am Express ...	936,900	35⅞	+ ⅜
IBM	1,366,500	118⅜	+ ⅞	Comw Ed	921,600	27⅝	− ⅛
AMR Corp	1,057,300	35½	+1	Gen Motors ...	858,100	75⅛	+1¼

	Dec. 14	Dec. 13	Dec. 12	Dec. 11	1984 High	1984 Low
AUSTRALIA						
All Ord. (1/1/80)	718.7	718.4	721.5	723.7	787.9 (9/1)	546.3 (18/6)
Metals & Mins. (1/1/80)	408.1	408	416.7	417.4	567.4 (3/1)	484.9 (24/7)
AUSTRIA						
Credit Aktien (2/1/62)	58.69	58.64	58.84	58.78	58.98 (6/12)	53.20 (16/8)
BELGIUM						
Belgian SE (31/12/63)	167.71	158.22	158.61	158.42	165.98 (25/10)	138.28 (4/1)
DENMARK						
Copenhagen SE (6/1/83)	187.20	188.85	189.47	187.41	226.21 (20/1)	181.78 (17/10)
FRANCE						
CAC General (31/12/82)	180.7	180.8	180.3	181.0	183.8 (26/10)	155.6 (3/1)
Ind Tendance (30/12/83)	120.7	120.2	120.0	120.1	121.7 (26/11)	89.4 (3/1)
GERMANY						
FAZ Aktien (31/12/58)	372.20	384.38	375.18	676.78	377.44 (4/12)	617.17 (25/7)
Commerzbank (1/12/53)	1077.6	1064.5	1067.1	1088.8	1102.7 (4/12)	817.7 (25/7)
HONG KONG						
Hang Seng Bank (31/7/64)	1142.08	1128.48	1117.23	1118.38	1176.35 (18/3)	748.02 (16/7)
ITALY						
Banca Comm Ital. (1972)	218.89	214.75	210.48	215.84	228.57 (1/2)	192.88 (2/1)
JAPAN**						
Nikkei-Dow (16/5/49)	11419.1	11546	11582.8	11250.6	11577.4 (4/12)	9703.56 (25/7)
Tokyo SE New (4/1/68)	865.60	675.86	879.06	868.21	884.98 (8/12)	736.45 (4/1)
NETHERLANDS						
ANP-CBS General (1970)	178.1	178.5	178.4	178.0	182.1 (22/10)	146.8 (25/7)
ANP-CBS Indust (1970)	142.7	142.5	141.6	141.0	147.2 (1/2)	118.7 (18/8)
NORWAY						
Oslo SE (4/1/83)	283.96	286.85	288.15	285.72	296.70 (9/6)	221.87 (4/1)
SINGAPORE						
Straits Times (1966)	804.68	806.05	811.89	817.56	1071.91 (8/2)	785.26 (21/11)
SOUTH AFRICA						
Gold (1958)	947.6	969.9	991.6	997.3	1089.6 (14/11)	788.1 (24/1)
Industrial (1958)	951.9	948.8	949.1	952.8	1105.5 (26/3)	863.5 (18/8)
SPAIN						
Madrid SE (30/12/83)	138.68	138.18	137.82	137.88	164.51 (8/10)	102.02 (3/1)
SWEDEN						
Jacobson & P. (1/1/58)	1542.90	1568.88	1569.10	1574.81	1594.6 (0/2)	1382.88 (22/11)
SWITZERLAND						
SwissBank Cpn. (31/12/58)	381.9	382.8	383.3	385.4	388.5 (3/1)	354.5 (25/7)
WORLD						
Capital Int. (1/1/70)	—	182.5	183.2	183.4	160.6 (5/6)	185.4 (3/12)

**Saturday December 8: Japan Nikkei-Dow (c). TSE (c).
Base values of all indices are 100 except Australia All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials. § 400 Industrials plus 40 Utilities. 40 Financials and 20 Transports. c Closed. (u) Unavailable.

OVER-THE-COUNTER

Continued from Page 26

I—I

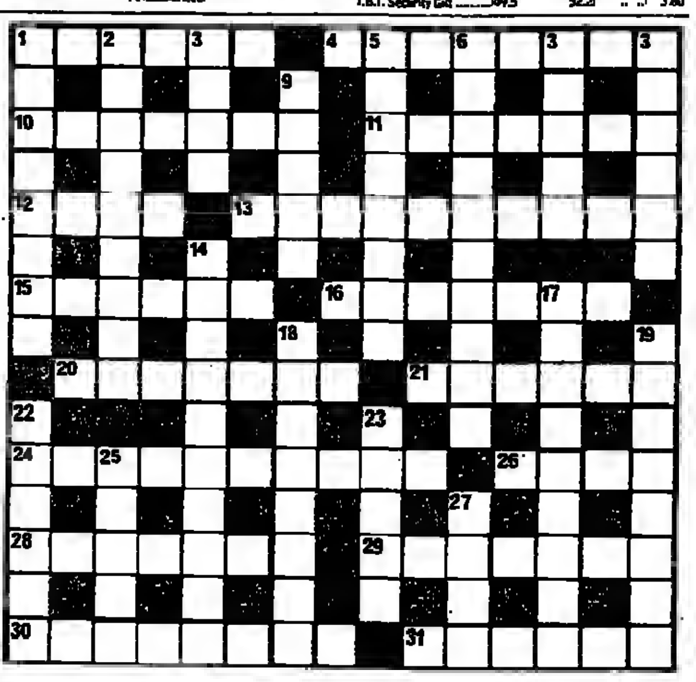
Stock		Sales (Hnds)	High	Low	Last	Chng
ILC		56	7¼	7¼	7¼	+⅛
IMS Int	.30	329	34⅞	33⅞	34⅛	+⅛
IPL Sy		45	1¼	1⅛	1⅛	
ISC		709	8⅝	8¼	8⅝	+⅛
Icot		104	4¼	4	4⅛	−⅛
Imunex		251	6¾	6⅜	6¾	
Imuno		20	3	2⅞	3	
Imugen		217	2⅛	1⅞	2	+⅛
Inacmp		45	4¼	4	4	
IndpHit		52	18¼	17¾	16	+¼
IndlN	1.40	18	33⅛	33	33⅛	+¼
InfoRsc		104	22	22	22	+1
Inform		120	16¼	16	16½	+½
InstNtw		19	15¾	15¼	15⅜	+⅛
Imacm		818	6⅝	6¼	6⅝	+⅜
IntgGeo		171	3⅛	3⅛	3⅛	+⅛
ISSCO		21	17½	17½	17½	+¼
IntgDv		71	10	9½	9½	−½
Intel		8485	25½	25	25¼	−¼
IntlSy		633	6¼	0	6⅜	+⅜
IntrTel		115	2⅞	1⅞	2	
Intmd		342	16	9¼	9½	+⅛
Intdyn		17	9	8¾	9	
IntrFlr	.16	660	8¼	7¼	7¼	−½
Interfac		61	5⅝	5⅝	5¾	+⅛
Intgrph		2712	48¾	47½	48¼	+½
Intrmgn		114	5½	5⅜	5⅜	
Intmec		54	14¼	14	14¼	
Intrmet		14	0	8	0	
InCapE		30	2⅞	2⅞	2⅞	+⅛
IntClin		3786	11¼	10½	11	+¼
IGame		60	13½	13⅜	13½	+⅛
IntKing	1	11	18⅛	16	18⅛	+⅛
IntLse s		47	11¾	11½	11½	
InMobil		416	6¼	6⅛	6¼	−½
IRIS	288	1¼	1¼	1	18+1	−18

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

INSURANCES

F.T. CROSSWORD PUZZLE NO. 5,597



ACROSS

1 Account about Sydney for example (6)
4 Percentage paid by buyer is a swindle at dance (8)
10 Tolerate 12 getting confused in school (7)
11 Tumbler broken by tip-cart (7)
12 Extinct bird tried initially to reach ditch (4)
13 Change at Preston—time to reach dissenter (10)
15 Artist is at home with this fruit (6)
16 Devout chaps to obtain all-spice (7)
20 Performer gives no trace (7)
21 Celebrity and companion have a stiffener (6)
24 In a word, no vice (10)
26 Be careful about personality (4)
28 Rough outline provides purification (7)
29 Taking head off ornamental plant—it's painful (7)
30 Climber gets a record in first (8)
31 Go without clothes? (6)

DOWN

1 Got up with Martha's sister to find Herb (8)
2 Turning of the hand downwards by expert people (9)
3 Genuine old Spanish coin (4)
5 Striking way to tear and surpass (8)
6 They show you've been working! (4, 6)
7 In Bognor I arranged a line of buckets (5)
8 Alumnus tardy but dedicated (6)
9 Article on jolly unit (5)
14 Switch directions to demonstrate good judgment (10)
17 Conclude white-ant contains sodium (9)
18 Gives warning the wine is finished? (8)
19 A theologian in disgust with Oriental fruit (8)
22 Confused American not in for Canon, perhaps (6)
23 Many go into Greater Manchester town to climb (5)
25 Fat soft swelling (5)
27 Field-Marshal stops short seeing a black spot (4)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday, December 29

هكذا من الأصل

INSURANCE, OVERSEAS & MONEY FUNDS

OFFSHORE AND OVERSEAS

Mod Crncy* 596.5 626.8xd +1.1 6.36
£ Fxd Inc* 616.7 659.6xd −2.2 7.69
£ Equity* 160.0 161.7 +9.6 2.20
$FxdInt* 31.075 1.157 .... 8.84
$ Equity* 51.441 1.541 −0.012 0.65
NK Fd* 8.15d 6.725 +0.104 2.29
Prices on Dec 5. Next dealing Dec 12. *Daily dealing.

Scrimgeour Kemp-Gee Mngmt Jersey
1, Charing Cross, St Helier, Jersey. 9534 73741

SKG Cap Fd	299.9	317.4xd	....	—
SKG Inc Fd	65.3	67.4xd	....	6.34
Gilt Bond	5173.9	163.1	−9.5	—

Securities Selection Ltd
Bermuda Hse. St Peter Port. Guernsey. 0491 26268
Forexfund 57.56 7.94 .... —

Sentry Assurance International Ltd
PO Box 1776. Hamilton 5. Bermuda 55303
For Funds Prices Phone UK 9906 679305 (24 hrs)

Singer & Friedlander Ldn Agents
21 New St. Bishopsgate. EC2M 4HR. 01-623 3000

Dekalds	DM29.95	31.25	....	9.84
TkyoTNv2	—	564.99	....	2.46

Standard Chartered Off Money Mkt Fd
PO Box 122. St Helier. Jersey. 9534 74454

Sterling	£11.1361	+9.9926	6.90
U.S. $	$22.5141	+9.0052	8.57
D-Mark	DM52.0047	+9.9968	4.63
Swiss Fr	SF41.5275	+9.9934	2.92
Jap Yen	Y5,347.4337	+9.7755	5.23

State St Bank Equity Hldgs NV
Car Mgt Co. 9 John B. Gorsiraweg. Curaço. Net asset value Dec 4 57.93.

Strategic Metal Trust Mngrs Ltd
49 Athol Street. Douglas. IoM. 0624 26999
Strg Mt $0.9142 9.9143 .... —

Stronghold Management Ltd
PO Box 215. St Helier. Jersey. 9534 71499
Cmdy Tst £62.72 66.94 .... —

Surinvest (Jersey) Ltd
4 Hill St. Douglas. IoM. 0624 25441
Copper Tst £13.97 14.74 −0.11 —

TSB Trust Funds (CI)
26 Hill St. St Helier. Jersey (CI). 0534 73494

TSB Gilt Fd	103.0	108.0	...	11.32
TSBGiltFdJy	102.9	108.9	....	11.22
TSB Jy Fd	67.1	102.0	....	3.70
TSB Grnsy Fd	97.1	192.0	....	3.79
TSBCrncyFd	162.5	107.8	...	—

Prices on Nov 29. Next sub day Dec 8.

Taiwan (ROC) Fund
c/o Vickers da Costa Ltd. King William St. London. EC4. 01-023 2494
NAV $472. IDR value US$11,955.42

Tarnet Trust Mngrs (Jersey) Ltd
PO Box 194. St Helier. Jersey. 0634 72936
Man Car Fd 104.9 110.7 +0.1 4.16

Tonnant (Cayman) Managers Ltd and NATICO
PO Box 2189. Grand Cayman. 0101 (0091 9497436
Wstmstr Cm $8.33 8.70 ... —

Tokyo Pacific Holdings NV
Intimis Management Co NV. Curacao. NAV per share $141.63.

Tokyo Pacific Hldgs (Seaboard) NV
Intimis Management Co NV. Curacao. NAV per share $103.30.

Tyndall Bank (Isle of Man) Ltd
30 Athol St. Douglas. IoM. 0024 20201

Stg Mny Fd	9.25	Nil	Qtr	Chq:7
US$MnyAcc	7.785	Nil	Qtr	Chq:7

Tyndall Managers
2 New St. St Helier. Jersey. 6534 3733103

TOFSL	192.7	206.3	....	1.21
American	205.8	222.0	....	1.01
Far Eastern	250.2	271.0	....	0.90
European	112.8	121.0	....	0.82
Prtflo Man	103.5	111.2	....	—
Prtflo Amnr	99.4	107.3	....	—
PrtfloSIFEst	106.7	114.5	....	—
PrtfloSoEur	100.1	113.8	....	—
Jersey Fd	173.0	189.6xd	....	5.24
(NnJAcUts)	425.2	484.0	....	—
Gilt Funds	117.2	119.4xd	....	19.01
(AccumShs)	310.0	372.0	....	—

Victory House. Douglas. IoM. 0624 24111

HighIntGilt	113.0	115.2	....	—
(Accum Shs)	217.0	221.2	....	—

Tyndall International Assurance Ltd
Albert House. St Peter Port. Guernsey. 0481 27088

Int Equity	434.1	457.0	....	—
Do $	5.175	5.450	....	—
PacificEqty	134.4	141.5	....	—
Do $	1.600	1.085	....	—
NAmerEqty	62.1	97.0	....	—
Do $	1.005	1.155	....	—
UK Equity	304.0	320.0	....	—
Do $	5.925	5.820	....	—
Euro Eqty	118.5	124.8	....	—
Do $	1.410	1.485	....	—
IntlFxdInt	458.4	482.5	....	—
Do $	5.405	0.755	....	—
StlgFxdInt	278.2	292.0	....	—
Do $	3.315	3.496	....	—
$ Deposit	148.2	153.0	....	—
Do $	1.749	1.835	....	—
StgDeposit	157.2	165.5	....	—
Do $	1.875	1.975	....	—
Commdity	445.1	408.6	....	—
Do $	5.305	5.585	....	—
Gold	83.8	88.0	....	—
Do $	0.995	1.059	....	—
UK Prpty	195.1	205.4	....	—
Do $	2.325	2.450	....	—
Intl Mngd	361.9	301.0	....	—
Do $	4.315	4.545	....	—
UK Mangd	263.6	277.5	....	—
Do $	3.140	3.310	....	—

Tyndall-Guardian Mngt Ltd
PO Box 1258. Hamilton. Bermuda.

T-G American	$19.62	...	—
T-G Money	$24.11	....	—
T-G Eurobond	$16.60	....	—
T-G Commodity	$21.95	....	—
T-G Mortgage	C$22.20	....	—
T-G Overseas	$10.94	....	—
T-G Pacific	Y2,070	....	—
T-G Wall Street	$25.34	....	—
T-G Gold	$8.01	....	—

M. G. Tyrrell & Co Ltd
PO Box 415. London W13 9NY.
Drtac $11.65 11.95 . —

Unico Invest Fd Mgt Co SA Lux
London & Continental Bankers Ltd
2 Throgmorton Ave. London. 01-638 9111
UC Inv Fd $69.03 72.10 —

Union-Investment-Gesellschaft GmbH
Postfach 16767. D 6000. Frankfurt 16.

Unifds	DM19.13	20.30	−0.19	—
Unirak	DM70.61	74.15	−0.20	—
Unirenta	DM39.79	40.90	−9.10	—

United Fund Managers Ltd
19-19 Queens Rd Central. Hong Kong. 5-251417
$ Mly Ist 9.00 0.39 19.98
For Vanbrugh Currency Fund see Holborn Fund Management (Jersey) Ltd

S. G. Warburg & Co and subsdrs
33 King William St. EC3R 9AS. 01-269 2222

Energy Int	342.77	—	−0.38	—
Eurobond	916.21	16.39	+9.94	—
Sel Risk	15.68	16.74	..	1.53

39-41 Broad Street. St Helier. Jsy. CI. 0534 74715

Cmn Mkt	£27.96	28.87	....	1.36
Far East	£26.6d	27.36	..	9.01
Transatl	£25.17	25.81	−9.64	1.96
Metals	£13.61	13.95		—
Sel Mkt	£20.84	21.32xd	+0.95	1.64

Mercury Money Market Trust Ltd

D-Mark	DM70.46	..	—
Dutch Guilder	DF1196.96	+9.91	—
Japanese Yen	Yd.61d	+1	—
£ Sterling	£20.97	....	—
Swiss Franc	SwFr77.55	....	—
U.S. $	$33.99	..	—

1 Thomas St. Douglas. IoM. 0624 4856

IoM	58.1	61.6	+9.3	7.6
Intl Bond	41.5	44.9	+9.2	6.7

Wardley Fund Managers (Jersey) Ltd
HK Bk Bldg. Grenville St. St Helier. 0534 71469
WrdlyGiltFd 191.9 195.0 .... 16.71

Wardley Investment Services Ltd
4th Floor. Hutchinson House. Hong Kong.

Wrdle Trust	$5.25	5.63	....	1.42
WdyNKAF	$76.33	27.92	....	5.37
WrdlyBdT	$19.33	11.90	....	7.36
WrdlyJapT	$33.16	35.17	....	9.28
WrdyPrCT	$19.06	19.60	....	2.96

West Avon Secs (Guernsey) Ltd
Borough Hse. St Peter Port. Guernsey. 0481 27963

Glt&OplFd	£1.19	1.25	...	5.00
U $. & Dpt	$9.63	9.96	...	—

World Wide Growth Management
10a Boulevard Royal. Luxembourg.
Inv Adv. M & G Inv Mngt Ltd. London.
WwdGthFd 311.12 — −0.09 —

Wren Commodity Management Ltd
19 St George St. Douglas. IoM. 9924 25915

Wren Com Fd	12.8	13.5	....	3.10
Chinese Fd	59.9	62.4	....	1.70
PrecMetFd	122.7	127.8	....	9.39
VangCmdyFd	23.5	28.1	....	—
FinFutorcsFd	32.6	53.6	....	—

Yamaichi Dynamic Mngt Co SA
19a Boulevard Royal. Luxembourg.
Dynamic Grw Fd 39.00 +9.91 —

Money Market Trust Funds

	Nom	Apr	Int Cr	Notice
The Money Market Trust				
63 Qn Victoria St. EC46 457. 91-236 9952				
Call Fund	d.77	8.98	6mth	Call
7-day Fund	8.36	8.60	6mth	7-day
Oppenheimer Money Management Ltd				
66 Cannon St. EC4N 6AE. 91-236 1425				
Call Fund	9.07	9.85	6mth	Call
7-day Fund	9.92	9.23	3mth	Call
MnyMoAc	9.750	0.04	6mth	Call
Dollar	7.12	7.24	6mth	2-day

Money Market Bank Accounts

	Nom	Apr	Int Cr	Notice
Aitken Hume				
39 City Road. EC1Y 2AY. 91-639 9979				
TreasuryAcc	9.375	9.71	Qtr	Call
Mth Int Chq	8.25	9.65	Mth	Call
Bank of Scotland				
3d Threadneedle St. EC2P 2EH. 91-629 8069				
Cheque Acc	9.25	6.65	Mth	Call
Barclays Prime Account				
PO Box 125. Northampton. 0994 252891				
High Int Chq	8.25	6.57	Qtr	Call
Britannia Grp of Investment Companies				
28 Finsbury Circ. EC2M 5QL. 91-555 2777				
Calar Allen	0.00	0.3pi	Mth	Call
Charterhouse Japhet plc				
1 Paternoster Row. EC4M 7DH. 91-246 3699				
Sterling	9.25	9.65	Mth	Call
U.S. Dollar	d.50	8.06	Mth	Call
German Marks	5.9	3.19	Mth	Call
Swiss Franc	2.6	2.05	Mth	Call
Japanese Yen	5.9	5.10	Mth	Call
Choulartons				
30 Ashley Rd. Altrincham. Cheshire. WA1 2DW. 961-826 9011				
Cheque Acc	9.75	19.29	Mth	Call
Co-operative Bank				
78-80 Cornhill. EC3. 01-626 8583 Ext 805				
Under £1,000	8.00	0.24	Qtr	Call
Over £1,009	10.06	19.38	Qtr	Call
Dartington & Co Ltd				
Dartington. Totnes. Devon. TQ9 6JE. 9803 862271				
MnyMktAcc	6.59	89.64	Qtr	Call
Henderson/Bank of Scotland				
36 Threadneedle St. EC2. 01-628 6060.				
MnyMtChqAc	9.25	9.95	Mth	Call
Lombard North Central plc				
17 Bruton St. W1A 3DH. 91-499 3434				
Notice Dep	8.75	19.12	Rate	14-day
M & G Kleinwort Benson				
91-99 New London Rd. Chelmsford. 0245 51651				
HighIntChqAc	9.39	9.74	Daily	Call
Midland Bank plc				
PO Box 2. Sheffield. 9742 29999 Ext 8738				
High Int Chq	9.59	9.94	Qtr	Call
Save & Prosper/Robert Fleming				
28 Western Rd. Romford. RM1 3LB. 0708 99966				
HighIntMktAc	0.09	9.41	Daily	Call
Premier AM	9.09	9.41	Daily	Call
Tyndall & Co				
29 33 Princess Victoria St. Bristol BS8 4BX. 9272 722241				
Demand Acc	9.75	8.58	Qtr	Call
Money Acc	9.375	6.71	Qtr	Chq/7
J. Henry Schroder Wagg & Co Ltd				
Enterprise House. Portsmouth. 9799 827733				
Special Acc	8.00	0.27	Mth	Call
Over £10,009	9.15	9.58	Mth	Call

NOTES—Interest rates given both as a nominal rate and an annual percentage rate adjusted for frequency of interest credit.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered prices include all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. ≠ Suspended. ● Yield before Jersey tax. † Ex-subdivision. :: Only available to charitable bodies. ⊙ Yield column shows annualised rates of NAV increase.

FT LONDON SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
22 Aug	22 Feb	Treas. 15pc 1985	100	26.7	34.86	9.55
22 Sep	22 Mar	Exch. 12pc Cnv. '85	100	16.8	11.94	9.82
21 Nov	21 May	Treas 3pc 1985	97	15.10	1.08	9.60
15Jan	15Jul	Treas 11½pc 1985	101xd	10.12	11.38	9.78
3 Mar	3 Sep	Treas 8¼pcCnv '85	99	30.3	8.83	9.97
22 May	22 Nov	Exch. 12¼pc 1985	101	16.10	12.02	9.99
25 Aug	25 Feb	Exch 11¾pc '86	101	9.93	11.56	10.13
11Oct	11Apr	Treas. 10pcCnv 1986	99	4.9	10.04	10.28
19 Nov	19 May	Treas 3pc 1986	93	15.10	3.23	8.33
19 Nov	19 May	Exch. 10½pc Cv '86	100	15.10	10.47	10.31
12Dec	12Jun	Treas 12pc 1986	102	5.11	11.76	10.47
10 Jan	10 Jul	Treas 8½pc 1984-86‡‡	97xd	4.12	8.73	10.41
29 Apr	29 Oct	Exch. 14pc 1986	105	24.9	13.25	10.56
21 May	21 Nov	Exch. 2½pc 1986	89	13.10	2.81	8.82
22Jul	22Jan	Exch. 13¼pc 1987	104	15.6	12.63	10.54
10 Aug	10 Feb	Treas 10½pcCv '87	99	4.3	10.35	10.70
24Aug	24Feb	Exch 2½pc 1987	87½	18.3	2.86	8.89
6Oct	6Apr	Exch. 10½pc 1987	99	3.9	10.55	10.70
1 Nov	1 May	Funding 6½pc '85-87‡‡	92	25.9	1.06	10.33
12Dec	12Jne	Treas. 10pc 1987	98	5.11	10.15	10.68
14Jan	14Jly	Treas 3pc 1987	86xd	10.12	3.48	9.16
3May	3Nov	Treas. 12pc 1987	103	27.9	11.64	10.72
26 Jul	26 Jan	Treas 7¾pc 1985-88‡‡	92	19.6	8.36	10.52
10Nov	10May	Exch 10½pc '88	99	4.10	10.56	10.77
14Dec	14Jne	Treas 9¾pc Cv '88	97	7.11	10.05	10.81
1Jan	1Jul	Transport 3pc '78-88	81xd	25.5	3.66	9.12
25 Apr	25 Oct	Treas. 9½pc '88	95	18.9	9.93	10.90
22 Aug	22 Feb	Treas 11½pc 1989	101	26.3	11.30	10.93
18 Oct	18 Apr	Treas 9½pc Cnv. '89	95	11.9	9.93	10.36
14Dec	14Jun	Treas 10½pc 1989	98	7.11	10.67	10.95
1Feb	1Aug	Exch.10pc 1989	96	25.6	10.39	11.04
29 Mar	29 Sep	Exch 11pc 1989	99	—	11.01	11.00
15 Apr	15 Oct	Treas 5pc 1986-89	81	10.9	6.12	9.83

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH AND AFRICAN LOANS

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Building Societies

Public Board and Ind.

Financial

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AMERICANS

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BANKS, HP AND LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES AND SPIRITS

BEERS, WINES—Cont.

BUILDING INDUSTRY, TIMBER AND ROADS

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DRAPERY & STORES—Cont.

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INDUSTRIALS—Continued

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MINES

Central Rand

Eastern Rand

Far West Rand

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Finance

Diamond and Platinum

MINES—Continued

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Australians

Tins

Miscellaneous

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ◆ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ✝ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- ≠ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ≠ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- ∮ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B Fr. Belgian Francs. Fr. French Francs. ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1984-85. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1984. K Figures based on prospectus or official estimates for 1984. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency

Albany Inv 20p	90	....	Arnott	150	.....
Craig & Rose £1	£21	.....	CPI Hldgs.	49xd	....
Finlay Pkg. 5p	42	...	Carroll Inds.	123	+3
Higsons Brew	83	..	Dublin Gas	65	.....
Holt (Jos) 25p	890	.....	Hall (R. & H.)	42	.....
IoM Stm £1	185	....	Heiton Hldgs.	15½	.....
IRISH			Irish Ropes	39	.....
Exch. 12% 1985	£98¼	....	Jacob (W. & R.)	65	.....
Nat. 9¾% 84/89	£82⅝	.....	TMG	67	.....
Fin. 13% 97/02	£86⅝	.....	Unidare	78	−2

OPTIONS — 3-month call rates

Industrials	p				
Allied-Lyons	15	Hanson Tst.	22	Vickers	18
BAT	30	Hawker Sidd	38		
BOC Grp	24	Hse of Fraser	28	Property	
BSR	13	ICI	50	Brit Land	14
Babcock	13	'Imps'	14	Cap Counties	18
Barclays Bank	42	Jaguar	18	Land Secs	24
Beecham	30	Ladbroke	20	MEPC	30
Blue Circle	46	Legal & Gen	42	Peachey	24
Boots	18	Lex Service	32	Samuel Props	14
Bowaters	16	Lloyds Bank	42	Sterling Guar.	5½
Brit Aerospace	34	Lucas Inds.	24		
Brit. Telecom	7½	Marks & Spcr	10	Oils	
Brown (J.)	3	Midland Bk	33	Brit. Oil & Min	4½
Burton Ord	32	NEI	9	Brit Petroleum	38
Cadburys	14	Nat West Bk	54	Burmah Oil	19
Comm Union	15	P & O Dfd	24	Charterhall	6
Courtaulds	11	Plessey	20	Premier	6
Debenhams	19	Polly Peck	25	Shell	55
Distillers	24	Racal Elect	24	Tricentrol	22
Dunlop	5	RHM	10	Ultramar	22
FNFC	7	Rank Org Ord	24		
Gen Accident	42	Reed Intnl	50	Mines	
Gen Electric	20	Sears	7	Charter Cons	21
Glaxo	90	TI	18	Cons Gold	42
Grand Met	26	Tesco	0	Lonrho	14
GUS 'A'	55	Thorn EMI	42	Rio T Zinc	60
Guardian	58	Trust Houses	12		
GKN	16	Turner Newall	9		
		Unilever	80		

A selection of Options traded is given on the London Stock Exchange Report page.

"Recent Issues" and "Rights" Page 16

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £700 per annum for each security.

CURRENCIES, MONEY and CAPITAL MARKETS

FINANCIAL FUTURES

LONDON

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
March	90.15	90.17	90.06	90.13
June	89.63	89.64	89.56	89.63
Sept	89.17	89.19	89.11	89.16
Dec	88.78	—	—	[illegible]
March	88.41	—	—	88.40

Est. volume 2,838 (3,281)
Previous day's open int. 9,937 (9,956)

THREE-MONTH STERLING £250,000 points of 100%

	Close	High	Low	Prev
March*	90.18	90.24	90.16	90.22
June*	89.99	90.00	89.94	90.04
Sept*	89.85	89.88	89.81	89.90
Dec*	89.59	89.71	89.70	89.70

Est. volume 689 (301)
Previous day's open int. 4,771 (4,737)
*£500,000 points of 100%

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

	Close	High	Low	Prev
Dec	108-14	108-14	107-29	108-12
March	107-27	108-00	107-06	107-20
June	107-10	—	—	107-07
Sept	110-14	—	—	110-11
Dec	110-07	—	—	110-06

Est. volume 4,218 (2,265)
Previous day's open int. 3,399 (3,301)
Basis quote (clean cash price of 13¾% Treasury 2003 less equivalent price of near futures contract) [illegible]

STERLING £25,000 $ per £

	Close	High	Low	Prev
March	1.1885	1.1900	1.1885	1.1900
June	1.1888	—	—	1.1903
Sept	1.1900	—	—	1.1915

Est. volume 102 (16)
Previous day's open int. 5,448 (5,446)

DEUTSCHE MARKS DM 125,000 $ per DM

	Close	High	Low	Prev
March	0.3245	0.3245	0.3240	0.3249

Est. volume 36 (2)
Previous day's open int. 186 (168)

SWISS FRANCS SwFr 125,000 $ per SwFr

	Close	High	Low	Prev
March	0.3946	0.3948	0.3945	0.3948

Est. volume 2 (5)
Previous day's open int. 111 (111)

JAPANESE YEN Y12.5m $ per Y100

	Close	High	Low	Prev
March	0.4058	—	—	0.4007

Est. volume nil (5)
Previous day's open int. 127 (127)

FT-SE INDEX £25 per full index point

	Close	High	Low	Prev
Dec	120.50	120.50	118.95	119.40
March	120.75	120.75	120.25	118.65
June	121.15	—	—	119.80

Est. volume 361 (218)
Previous day's open int. 1,131 (1,113)

U.S. TREASURY BONDS

	Close	High	Low	Prev
Dec	71-21	71-21	71-05	71-20
March	70-25	70-30	70-09	70.28
June	70-04	—	—	70.05

Est. volume 2,140 (2,912)
Previous day's open int. 1,828 (2,006)

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Close	High	Low	Prev
Dec	72-03	72-17	71-03	71-09
March	71-09	71-22	70-08	70-15
June	70-19	71-01	69-20	69-27
Sept	70-00	70-13	69-04	69-09
Dec	69-16	69-31	68-20	68-25
March	69-02	69-11	68-05	68-11
June	68-21	68-30	68-03	67-31
Sept	68-09	68-16	67-26	67-20
Dec	67-30	68-05	67-16	67-10
March	67-20	—	—	67-01
June	67-11	—	—	66-25

U.S. TREASURY BILLS (IMM) $1m points of 100%

	Close	High	Low	Prev
Dec	91.32	92.04	91.72	91.72
March	91.55	91.74	91.33	91.31
June	91.09	91.28	90.87	90.82
Sept	90.60	90.84	90.45	90.42
Dec	90.26	90.47	90.11	90.07
March	90.04	90.15	89.78	89.76
June	89.78	89.87	89.51	89.51
Sept	89.53	89.61	89.54	89.28

CERT. DEPOSIT (IMM) $1m points of 100%

	Close	High	Low	Prev
Dec	91.41	91.45	91.10	91.07
March	90.74	90.88	90.41	90.41
June	90.24	90.37	89.91	89.89

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Close	High	Low	Prev
Dec	90.96	91.00	90.76	90.70
March	90.35	90.49	90.04	90.02
June	89.84	89.98	89.52	89.50
Sept	89.40	89.53	89.03	89.04
Dec	89.00	89.15	88.67	88.64
March	88.68	88.76	88.32	88.29
June	88.34	88.41	88.07	87.97
Sept	88.05	88.12	88.05	87.68

STERLING (IMM) $e per £

	Close	High	Low	Prev
Dec	1.1960	1.2000	1.1870	1.1880
March	1.1930	1.1990	1.1885	1.1875
June	1.1935	1.1990	1.1885	1.1875
Sept	1.1940	1.1990	1.1955	1.1860
Dec	1.1965	1.1990	1.1940	1.1905

GNMA (CBT) 8% $100,000 32nds of 100%

	Close	High	Low	Prev
Dec	69-04	69-10	68-24	68-25
March	68-14	68-21	68-02	68-03
June	67-24	67-30	67-24	67-16
Sept	67-07	—	—	66-29
Dec	66-24	66-26	66-24	66-14
March	—	—	—	—
June	65-29	—	—	65-10

WEEKLY CHANGE IN WORLD INTEREST RATES

LONDON	Dec. 14	change	NEW YORK	Dec. 14	change
Base rates	9½-9¾	Unch'd	Prime rates	11¼-11½	Unch'd
7 day Interbank	9⅝	-⅛	Federal funds	8⅝	-0.40
3mth Interbank	9⅞	—	3 Mth. Treasury Bills	8.03	-0.58
Treasury Bill Tender	9.0905%	-0.0811	6 Mth. Treasury Bills	8.69	-0.56
Band 1 Bills	9⅛	Unch'd	3 Mth. C.D.	8.65	-0.05
Band 2 Bills	9⅛	Unch'd	FRANKFURT		
Band 3 Bills	9⅛	Unch'd	Lombard	5.50	Unch'd
3 Mth. Treasury Bills	9⅛	Unch'd	One Mth. Interbank	5.93	+0.23
1 Mth. Bank Bills	9⅛	[illegible]	Three month	5.895	Unch'd
3 Mth. Bank Bills	9⅛	Unch'd	PARIS		
TOKYO			Intervention Rate	10¼	Unch'd
One month Bills	6.53125	+0.0625	One Mth. Interbank	10⅜	Unch'd
Three month Bills	6.28125	-0.0625	Three month	10⅝	-⅛
BRUSSELS			MILAN		
One month	10⅛	-⅛	One month	17¼	Unch'd
Three month	10⅛	-⅛	Three month	17⅛	Unch'd
AMSTERDAM			DUBLIN		
One month	5½	+⅛	One month	14⅜	-⅛
Three month	5⅞	Unch'd	Three month	14⅝	-⅛

London—band 1 bills mature in up to 14 days, band 2 bills 15 to 33 days, and band 3 bills 34 to 63 days. Rates quoted represent Bank of England buying or selling rates with the money market. In other centres rates are generally deposit rates in the domestic money market and their respective changes during the week. Band 4 bills 9⅛.

FOREIGN EXCHANGES

Lethargy, but a few surprises

BY COLIN MILLHAM

The foreign exchange market showed signs of awakening from its end of year lethargy at one time on Friday morning, but in the end decided the effort was too much, and fell back to sleep. The stimulus was provided by two surprising figures, but since these pointed in opposite directions there was a tendency to cancel each other out, and the bout of activity soon came to an end.

A rise of 1.8 per cent in November U.S. retail sales, compared with an expected figure of about 0.5 per cent, led to demand for the dollar, pushing it above the recent trading range of DM 3.07 to DM 3.10 in New York on Thursday. The German Bundesbank was reported to have intervened on the open market Friday morning to stem any further rise, but by this time the market was already beginning to react to the much larger than anticipated fall in weekly M1 money supply.

Thoughts of lower interest rates and easier Federal Reserve monetary policy on the back of the money supply announcement were countered by indications that the economy is on the move again, following the retail sales announcement, and in the absence of any more data to confirm trends the dollar drifted down gradually to close little changed on the week.

November producer prices were published on Friday, and were regarded as rather high, rising by 0.5 per cent, the largest monthly advance since January, and the first increase since July. On the other hand U.S. industrial production was much as expected, rising 0.4 per cent in November after two months of decline.

These U.S. statistics were the only highlight of a very dull week.

Sterling weakened slightly, losing 1 cent on the week to finish at $1.1930, but showing little change in terms of other major currencies. Oil remained the major factor, and the low level of North Sea crude on the spot market when compared with contract prices. This led to expectations the British National Oil Corporation will be forced to lower its price, possibly provoking a price war.

STERLING EXCHANGE RATE INDEX (Bank of England)

	Dec 14	Previous
8.30 am	74.3	74.6
9.00 am	74.3	74.4
10.00 am	74.2	74.4
11.00 am	74.3	74.4
Noon	74.3	74.3
1.00 pm	74.2	74.4
2.00 pm	74.2	74.4
3.00 pm	74.3	74.3
4.00 pm	74.2	74.3

£ in New York

	December 14	Prev. close
£ Spot	$1.1948-1.1960	$1.1900-1.1910
1 month	0.07-0.06 pm	0.08-0.06 pm
3 months	0.17-0.14 pm	0.18-0.13 pm
12 months	0.35-0.35 dis	0.40-0.26 dis

Forward premiums and discounts apply to the U.S. dollar.

FORWARD RATES AGAINST STERLING

	Spot	1 month	3 month	6 month	12 month
Dollar	1.1930	1.1922	1.1913	1.1914	1.1950
D-Mark	3.7075	3.6948	3.6761	3.6316	[illegible]
French Franc	11.3625	[illegible]	[illegible]	[illegible]	11.5569
Swiss Franc	3.0575	3.0464	3.0227	2.9950	2.9153
Swiss Franc	3.0575	3.0464	3.0227	2.9950	2.9153
Japanese Yen	296.25	295.41	293.77	291.16	288.11

POUND SPOT—FORWARD AGAINST POUND

Dec 14	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.1875-1.1965	1.1925-1.1935	0.10-0.07c pm	0.85	0.20-0.15 pm	0.59
Canada	1.5700-1.5770	1.5723-1.5743	0.09-0.18c dis	−1.03	0.25-0.39dis	−0.81
Nethlnd.	4.13¾-4.19½	4.19½-4.19½	1½-1¼c pm	3.94	4⅛-3⅞ pm	3.76
Belgium	74.07-74.70	74.60-74.70	2-7c dis	−0.72	9-19 dis	−0.72
Denmark	13.19-13.27	13.25½-13.26½	2⅛-3⅛ore dis	−2.38	6⅛-7⅛ dis	−2.00
Ireland	1.1827-1.1868	1.1841-1.1851	0.43-0.59c dis	−5.17	1.34-1.59dis	−4.95
W. Ger.	3.68⅝-3.71¼	3.70¼-3.71¼	1⅛-1⅛pf pm	4.05	3⅞-3⅛ pm	0.91
Portugal	196.75-198.90	197.11-198.55	195-615c dis	−24.54	565-1705dis	−22.93
Spain	204.15-204.75	204.44-204.73	50-80c dis	−3.81	145-200 dis	−3.37
Italy	2,267½-2,283	2,282-2,283	8-11 lire dis	−4.89	26-32 dis	−5.08
Norway	10.65-10.70½	10.69½-10.70½	[illegible]	[illegible]	[illegible]	[illegible]
France	11.30½-11.38½	11.37½-11.38½	[illegible]	−1.18	[illegible]	−1.12
Sweden	10.52-10.57	10.56-10.57	[illegible]	−1.99	[illegible]	−2.06
Japan	294½-296½	295½-296½	[illegible]	3.20	[illegible]	3.23
Austria	25.85-26.00	25.94-25.99	[illegible]	1.56	[illegible]	1.89
Switz.	3.03½-3.06½	3.05½-3.06½	[illegible]	4.17	[illegible]	4.50

Belgian rate is for convertible francs. Financial franc 74.70-74.80. Six-month forward dollar 0.20-0.13c pm, 12-month 0.10-0.30c dis.

BANK OF ENGLAND TREASURY BILL TENDER

	Dec. 14	Dec. 7		Dec. 14	Dec. 7
Bills on offer	£100m	£100m	Top Accepted rate of discount	9.0905%	9.1048%
Total of applications	£446.68m	£275.09m	Average rate of discount	[illegible]	[illegible]
Total allocated	£100m	£100m	Average yield	[illegible]	[illegible]
Minimum accepted bid	£97.75	£97.73	Amount on offer at next tender	£100m	£100m
Allotment at minimum level	6%	37%			

DOLLAR SPOT—FORWARD AGAINST DOLLAR

Dec 14	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.1875-1.1965	1.1925-1.1935	0.10-0.07c pm	0.85	0.20-0.15 pm	0.59
Ireland†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nethlnd.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
W. Ger.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switz.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 62.20-62.70.

OTHER CURRENCIES

Dec. 14	£	$		£	Note Rates
Argentina Peso	[illegible]	[illegible]	Austria	[illegible]	25.75-26.05
Australia Dollar	[illegible]	[illegible]	Belgium	[illegible]	74.15-74.95
Brazil Cruzeiro	[illegible]	[illegible]	Denmark	[illegible]	13.10-13.30
Finland Markka	[illegible]	[illegible]	France	[illegible]	11.27-11.39
Greek Drachma	[illegible]	[illegible]	Germany	[illegible]	3.67½-3.71½
Hong Kong Dollar	[illegible]	[illegible]	Italy	[illegible]	[illegible]
Iran Rial	[illegible]	[illegible]	Japan	[illegible]	[illegible]
Kuwait Dinar (KD)	[illegible]	[illegible]	Netherlands	[illegible]	[illegible]
Luxembourg Fr	[illegible]	[illegible]	Norway	[illegible]	[illegible]
Malaysia Dollar	[illegible]	[illegible]	Portugal	[illegible]	[illegible]
New Zealand Dlr	[illegible]	[illegible]	Spain	[illegible]	[illegible]
Saudi Arab. Riyal	[illegible]	[illegible]	Sweden	[illegible]	[illegible]
Singapore Dollar	[illegible]	[illegible]	Switzerland	[illegible]	[illegible]
Sth African Rand	[illegible]	[illegible]	United States	[illegible]	[illegible]
U.A.E. Dirham	[illegible]	[illegible]	Yugoslavia	[illegible]	[illegible]

* Selling rates.

CURRENCY MOVEMENTS

Dec. 14	Bank of England Index	Morgan Guaranty Changes %
Sterling	74.2	−16.0
U.S. dollar	145.3	+29.2
Canadian dollar	90.5	−3.4
Austrian schilling	110.0	+9.9
Belgian franc	88.7	−10.6
Danish Kroner	76.7	−5.7
Deutsche mark	130.9	+6.2
Swiss franc	139.7	+10.0
Guilder	110.9	+3.2
French franc	63.7	−16.4
Lira	46.9	−14.0
Yen	166.3	+11.9

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

CURRENCY RATES

Dec. 14	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	[illegible]	[illegible]
U.S. $	8½	[illegible]	[illegible]
Canadian $	[illegible]	[illegible]	[illegible]
Austria Sch.	[illegible]	[illegible]	[illegible]
Belgian Fr.	11	[illegible]	[illegible]
Danish Kr.	7	[illegible]	[illegible]
D mark	4½	[illegible]	[illegible]
Guilder	5	[illegible]	[illegible]
French Fr.	9½	[illegible]	[illegible]
Lira	16½	[illegible]	[illegible]
Yen	5	[illegible]	[illegible]
Norway Kr.	8	[illegible]	[illegible]
Spanish Pta.	—	[illegible]	[illegible]
Swedish Kr.	9½	[illegible]	[illegible]
Swiss Fr.	4	[illegible]	[illegible]
Greek Dr'ch	20½	[illegible]	[illegible]
Irish Punt	—	[illegible]	[illegible]

*CS/SDR rate for Dec 12: 1.30887.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu December 14	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.9008	44.8620	−0.09	+0.30	±1.5428
Danish Krone	8.14104	7.98661	−1.90	−1.47	±1.6421
German D-Mark	2.24184	2.23340	−0.38	+0.01	±1.1463
French Franc	6.87456	6.84712	−0.40	−0.01	±1.3659
Dutch Guilder	2.52595	2.51971	−0.25	+0.14	±1.5186
Irish Punt	0.72569	0.71576	−1.37	−0.98	±1.6671
Italian Lira	1403.49	1374.46	−2.07	−2.07	±4.0511

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

Dec. 14	Pound St'rling	U.S. Dollar	Deutsche m'k	J'panese Yen	French Franc	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.193	3.708	296.3	11.39	3.056	4.190	2283.	1.575	74.65
U.S. Dollar	0.838	1.	3.109	247.75	9.475	2.543	3.498	1905.	1.319	62.05
Deutschmark	0.270	0.322	1.	79.81	3.070	0.825	1.130	616.6	0.424	20.12
Japanese Yen 1,000	3.376	4.027	12.51	1000.	38.49	10.32	14.14	7706.	5.31	252.0
French Franc 10	0.878	1.048	3.257	260.3	10.	2.686	3.681	2006.	1.382	65.58
Swiss Franc	0.327	0.390	1.213	96.89	3.723	1.	1.370	746.6	0.515	24.42
Dutch Guilder	0.239	0.285	0.885	70.70	2.717	0.730	1.	544.7	0.376	17.82
Italian Lira 1,000	0.438	0.523	1.624	129.8	4.987	1.340	1.836	1000.	0.689	32.71
Canadian Dollar	0.636	0.759	2.357	188.3	7.225	1.943	2.663	1451.	1.	47.40
Belgian Franc 100	1.340	1.599	4.967	396.9	15.25	4.096	5.613	3058.	2.108	100.

EURO-CURRENCY INTEREST RATES (Market closing rates)

Dec. 14	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-mark	French Franc	Italian Lira	Belgian Franc Conv.	Belgian Franc Fin.	Yen	Danish Krone
Short term	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7 days' notice	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Month	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Three months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Six months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
One year	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Asian $ (closing rates in Singapore): Short-term [illegible] per cent; seven days [illegible] per cent; one month [illegible] per cent; three months [illegible] per cent; six months [illegible] per cent; one year [illegible] per cent. Long-term Eurodollars: two years [illegible] per cent; three years [illegible] per cent; four years [illegible] per cent; five years [illegible] per cent nominal rates. Short-term rates are call for U.S. dollars and Japanese yen; others two days' notice.

MONEY MARKETS

Money supply provides the interest

Money supply figures on both sides of the Atlantic produced one of the few areas of interest in very quiet financial markets last week.

A rise of 2.7 per cent in sterling M3 money supply was well above expectations, but had more of a depressing influence on the gilt market and gilt futures than the London money market. An increase of around 1.5 per cent had been anticipated, but in the end the figures proved very difficult for the market to analyse, because of the distortion caused by a high build up of deposits ahead of the British Telecom share offer. The overall impact was therefore rather limited, but certainly set back any lingering hopes of another cut in clearing bank base rates.

UK clearing banks' base lending rate 9½-9¾ per cent since November 23

Three-month interbank money showed only a flicker of movement, and traded very steadily all week at around 9⅝ per cent.

The weekly U.S. M1 money supply figure was equally surprising, but produced an entirely different reaction. After two weeks of increase M1 was expected to fall. Market estimates suggested a decline of about $2.5bn at the beginning of the week, but this was revised to around $3.5bn a day or so before the figures were released on Thursday. The announced fall of $7.1bn added some seasonal cheer to the credit markets in New York and London, which had earlier reacted unfavourably to the larger than expected rise in U.S. retail sales in November.

There was a fairly optimistic tone to the markets as the week ended, leading to mention of a possible cut in the Federal Reserve's discount rate, encouraged by the relatively low level of U.S. bank borrowings and by a softening of the Federal funds overnight rate.

It may be unwise to expect too much from this quarter however, particularly as money supply is expected to return to an upward course this week, and the latest figures on the economy have indicated that growth may be accelerating after a marked slowdown in the last few months.

MONEY RATES

Dec. 14	Frankfurt	Paris	Zurich	Amst'dam	Tokyo	Milan	Brussels	Dublin
Overnight	[illegible]	10⅛	[illegible]	[illegible]	6.46875	16⅛-17⅛	9.30	14⅛-14⅝
One month	[illegible]	10⅜	[illegible]	[illegible]	6.53125	16⅞-17⅛	10⅛-10⅜	14⅛-14⅜
Two months	[illegible]	[illegible]	—	—	—	—	[illegible]	[illegible]
Three months	[illegible]	10⅝	[illegible]	[illegible]	6.28125	16⅞-17⅛	[illegible]	[illegible]
Six months	[illegible]	[illegible]	—	[illegible]	—	—	[illegible]	[illegible]
Lombard	5.5	—	—	—	—	—	—	—
Intervention	—	10¼	—	—	—	—	—	—

LONDON MONEY RATES

Dec. 14 1984	Sterling Certificate of deposit	Interbank	Local Authority deposits	Company Deposits	Market Deposits	Treasury (Buy)	Treasury (Sell)	Eligible Bank (Buy)	Eligible Bank (Sell)	Fine Trade (Buy)
Overnight	—	[illegible]	[illegible]	6-0	3-8	—	—	—	—	—
2 days notice	—	—	[illegible]	—	—	—	—	—	—	—
7 days or	—	[illegible]	—	—	—	—	—	—	—	—
7 days notice	—	[illegible]	[illegible]	[illegible]	[illegible]	—	—	—	—	—
One month	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Two months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Three months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Six months	[illegible]	[illegible]	[illegible]	—	—	—	—	—	—	—
Nine months	[illegible]	[illegible]	—	—	—	—	—	—	—	—
One year	[illegible]	[illegible]	—	—	—	—	—	—	—	—

Discount Houses Deposit and Bill Rates

	Local Auth. negotiable bonds	Local Authority Deposits	Finance House Deposits	Disc't Houses Deposits	SDR Linked Deposits	ECU Linked Deposits
One month	[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]
Two months	[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]
Three months	[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]
Six months	[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]
Nine months	[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]
One year	[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]
Two years	—	[illegible]	—	—	—	—
Three years	—	[illegible]	—	—	—	—
Four years	—	[illegible]	—	—	—	—
Five years	—	[illegible]	—	—	—	—

ECGD Fixed Rate Export Finance IV: Average Rate of Interest period November 7 to December 4 1984 (inclusive): 9.804 per cent. Local authorities and finance houses seven days' notice, others seven days' fixed. Finance Houses Base Rate (published by the Finance Houses Association): 10½ per cent from December 1 1984. London and Scottish Clearing Bank Rates for lending 9½-9¾ per cent. London Deposit Rates for sums at seven days' notice [illegible] per cent. Treasury Bills: Average tender rates of discount 9.0905 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 9¼ per cent; one-three months 9¾ per cent; three-six months 9½ per cent; six-nine months 10 per cent; nine-12 months 10 per cent. Under £100,000 9⅞ per cent from November. Deposits held under Series 5 10 per cent. The rate for all deposits withdrawn for cash 7 per cent.

FT LONDON INTERBANK FIXING

(11.00 a.m. December 14) 3 months U.S. dollars

bid 9	offer [illegible]

6 months U.S. dollars

bid 9 1/2	offer 9 5/8

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (4 pm)

Prime rate	11¼-11½
Broker loan rate	[illegible]
Fed funds	[illegible]
Fed funds at intervention	[illegible]

Treasury Bills

One month	7.20
Two month	8.05
Three month	8.03
Six month	8.69
One year	8.80

Treasury Bonds

Two year	[illegible]
Three year	[illegible]
Four year	[illegible]
Five year	[illegible]
Seven year	[illegible]
10 year	[illegible]
30 year	[illegible]